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FARMERS, PROFESSORS AND MONEY: AGRICULTURE AND THE BATTLE FOR MANAGED MONEY, 1920-1941

A DISSERTATION

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BY

DAVID DEAN WEBB

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FARMERS, PROFESSORS AND MONEY: AGRICULTURE AND THE BATTLE FOR MANAGED MONEY, 1920-1941

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PROLOGUE

THE AGRICULTURAL DEPRESSION OF 1920

"This cock-eyed world," a favorite expression of Americans after World War I put into words their general puzzlement with a world gone awry. Mark Sullivan, chronicler of the era, called the world of 1920 "unbalanced" and America "unhappy."[1] New York banker Paul Warburg, similarly disenchanted, observed in January 1922, "During the long months of the struggle, we often wondered how the world could financially and economically endure another year of the horrors and waste of the War. Since the Armistice we have often wondered how it could survive another year of this kind of peace."[2] Indeed, few things worked out well--the war, the peace, the economy. No wonder "normalcy," with its nostalgia proved invincible in 1920.

The economy seemed especially "cock-eyed" as the nation fretted over the high cost of post-war living--an economic pain most newspapers abbreviated to "h.c.l." As consumers revolted against the more than 100 percent increase in the cost of living since 1914, "h.c.l." manifested itself in buyers and renters strikes.[3] Housewives paid 30¢

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[1]Mark Sullivan, Our Times: The United States, 1900-1925, Vol. VI: The Twenties (New York: Charles Scribner's Sons, 1935), pp. 2, 155.

[2]Paul M. Warburg, The Federal Reserve System: Its Origin and Development, Vol. II (New York: The Macmillan Co., 1930), p. 753.

[3]New York Times, 22 August 1920, II, p. 2.

rather than 10¢ a pound for sugar, and shoes which before the war sold for $3 brought $10 to $12 in 1920.[4] Consumers resorted to almost silly extremes in their demands that "profiteering" stop. In New York City, housewives staged a boycott to force down the price of meat, and the *New York Times* praised citizens for refusing to buy at "skyscraping" prices.[5] Beginning in the South and spreading throughout the nation, men demonstrated their concern with a symbolic donning of cotton overalls instead of woolen suits. Frugality became fad as the "overalls brigade" invaded church services on Easter Sunday. Georgia Congressman Willie Upshaw even appeared in the new fashion on the floor of Congress.[6] William Gibbs McAdoo, former Secretary of the Treasury, was photographed with suspiciously new-looking patches adorning his expensive trousers.[7] Not to be outdone, Governor Frank Lowden, son-in-law of George Pullman, delighted the Women's Division of the Fair Price Committee of Illinois with the announcement that he would continue to wear his then three-year-old overcoat until prices declined.[8] Soon women made it great fashion to be unfashionable, wearing dresses and hats from previous years.

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[4]Sullivan, *Our Times*, VI, 163.

[5]*New York Times*, 3 July 1920, p. 17; and 20 May 1920, p. 12.

[6]W. P. G. Harding, *The Formative Period of the Federal Reserve System: During the World Crisis* (Boston: Houghton Mifflin Co., 1925), p. 170.

[7]Sullivan, *Our Times*, VI, 165.

[8]*New York Times*, 21 February 1920, p. 3.

In the Senate, Oklahoma's neo-Populist, Robert Owen, perhaps for the only time in his life, resembled a hard-money man when he commented, "In order to bring stability . . . it will be necessary to deflate the currency."[9] The Senate rallied behind this sentiment and passed the McCormick Resolution as a means of asking what the Federal Reserve Board intended to do about "the existing inflation of currency and credits and consequent high prices."[10]

Before the end of 1920, talk of "h.c.l." vanished. A pair of shoes again sold for $3, and men wore faded overalls, not as a show of protest, but often because of necessary frugality. Four months after his January call for currency contraction, Owen, Chairman of the Senate Banking and Currency Committee, fully repented of his deflationist aberration and blasted the Federal Reserve Board for its pursuit of a tight money policy. Within a year the McCormick Resolution seemed a great incongruity. Such ironies resulted from the reappearance of a familiar development in American history--the boom-bust cycle. Inflation recoiled into deflation, and "h.c.l." once again gave way to hard times.

The depression of 1920 in the agricultural sector resulted from a long list of complex economic influences: downward readjustment in the price level from its war-inflated plateau, termination of government defense spending, removal of the government price guarantees on farm commodities, diminished need of European nations for American farm

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[9]U. S., Congressional Record, 66th Cong., 2d Sess., January 16, 1920, 1607.

[10]*Ibid*., 66th Cong., 2d Sess., May 17, 1920, 7145-46.

products, increased ability of other agricultural nations to compete with American producers for world markets, and cessation of government foreign loans which had served as a stimulus for commodity exports. Included in the milieu underlying the depression were such diverse influences as change in the American diet, a slowing of population growth, and the new farm technology which resulted in overproduction and low prices for agricultural commodities.[11]

By the summer of 1920, most farm leaders conceded that the economy was in a slump. Various economic indices recorded the scope of the depression as the gross farm income skidded from $17.7 billion in 1919 to just under $10.5 billion in 1921. By harvest time, most agricultural products sold at what Secretary of Agriculture, Henry C. Wallace, termed "bankruptcy levels."[12] Cattle that averaged $54.54 per head in 1919 brought only $30.39 in 1922. Corn averaged $1.52 a

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[11]See the U. S., Congress, House, Joint Commission of Agricultural Inquiry, Report of the Joint Commission of Agricultural Inquiry, pt. 1, The Agricultural Crisis and Its Causes, 67th Cong., 1st Sess., House Report 408, 1921; John D. Hicks, Rehearsal for Disaster (Gainesville: University of Florida Press, 1961), Chap. III; Gilbert C. Fite, George N. Peek and the Fight for Farm Parity (Norman: University of Oklahoma Press, 1954), p. 10-13; Gilbert C. Fite and Jim E. Reese, An Economic History of the United States, 1867-1960 (Princeton: Princeton University Press, 1963), pp. 221-229; Theodore Saloutos and John D. Hicks, Agricultural Discontent in the Middle West, 1900-1939 (Madison: University of Wisconsin Press, 1961), pp. 100-09; Edward L. and Frederick H. Schapsmeier, Henry A. Wallace of Iowa: The Agrarian Years, 1910-1940 (Ames: The Iowa State University Press, 1968), Chap. V; James H. Shidler, Farm Crisis, 1919-1923 (Berkeley: University of California Press, 1957), pp. 46-581; Clarance Alton Wiley, Agriculture and the Business Cycle Since 1920: A Study in the Post War Disparity of Prices (Madison: University of Wisconsin Studies in the Social Sciences and History, No. 15, 1930), p. 14 ff.

[12]U. S. Department of Agriculture, Yearbook 1922 (Washington, D. C., 1922), p. 2.

bushel in 1918, but collapsed to 52¢ by 1921. Wheat dropped from its 1918 level of $2.05 per bushel to 92½¢ by 1923. Cotton, also a victim of the deflation, fell from a 1919 average of 35¢ per pound to 16¢ in 1920. Most farmers witnessed more than a 50 per cent plunge in the price of their produce in 1920-21.[13]

In the summer of 1921, a Congressional committee, the Joint Commission of Agricultural Inquiry, undertook a study of the agricultural crisis. The Commission reported that while farmers were sustaining an "avalanche of descending prices," the economy continued to discriminate against them even in depression. "In the recent perpendicular decline," the Commission report disclosed, "the prices of farm products declined more rapidly and went to a lower level than the prices of other commodities. This fact increased the margin between the prices of what he had to sell and the prices of the commodities he had to buy."[14] Farm leader Arthur Capper described the deteriorating circumstances of most farmers when he observed that, "During the period of high prices in 1919 . . . a farmer could get five gallons of gasoline for a single bushel of corn. A year later that bushel of corn would buy only one gallon of gasoline; and two years later the same bushel of

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[13]U. S. Bureau of the Census, Historical Statistics of the United States, 1789-1945 (Washington, D. C., 1949), pp. 99-111. The 1920-1921 collapse has been characterized as "the sharpest price decline . . . in the whole history of the United States." See Milton Friedman and Anna Jacobson Schwartz, A Monetary History of the United States, 1867-1960 (Princeton: Princeton University Press, 1971), p. 232.

[14]Report of Joint Commission of Agricultural Inquiry, Pt. I, p. 13.

corn would buy about half a gallon of gasoline."[15] During the twelve-month period after October 1920, the farmer's dollar, in terms of purchasing power, was worth less than in any preceding twelve months in thirty years.[16]

The deflation in farm prices was all the more devastating because it followed the World War years which climaxed a Golden Era of prosperity for agriculture. Confronted with technological advances and war-stimulated commodity prices, farmers rushed into debt during 1918 and 1919 only to plunge into depression in 1920. In 1924, Secretary of Agriculture Henry C. Wallace noted that the depression "struck American agriculture in a transition period." In the decade preceding the price collapse farmers increased production 15 per cent, introduced the tractor and implemented improved programs of breeding and disease control. Ironically the increased productive efficiency "brought bitter fruit" for the commodity collapse of 1920 increased debt burdens and forced the farmer to abandon the modernization program. "In short, the condition by the end of a decade of extraordinary progress in agricultural efficiency was the reverse of what might have been logically expected."[17]

Thus, in 1920 the Golden Era faded into normalcy for the farmer. Confronted with the hopeless prospect of bearing a debt incurred during a period of high prices at a time when his own wealth was rapidly

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[15]Arthur A. Capper, The Agricultural Bloc (New York: Harcourt Brace and Company, 1922), p. 38.

[16]Report of Joint Commission of Agricultural Inquiry, Pt. I, p. 13.

[17]U. S. Department of Agriculture, Yearbook 1924, p. 17.

shrinking, he faced the ultimate result--bankruptcy and mortgage foreclosure. Between 1920 and the spring of 1923, a Department of Agriculture survey found that in fifteen corn and wheat producing states 23 per cent of the owner farmers were bankrupt and 8.5 per cent of the bankrupt group had already been evicted. Of 26,000 tenant farmers surveyed, more than 14 per cent had lost their property. An additional 21 per cent were spared loss only through the leniency of their creditors.[18]

Depression has victimized farmers throughout American history and Jefferson's chosen people have an especially intimate relationship with hard times. From Shay's Rebellion to modern farm strikes, low commodity prices stimulated farmers to challenge and change the status quo through direct political action. The agricultural depression of the 1920s was no exception. As the depression grew into the farm crisis, agricultural interests began searching for the cause of their predicament and subsequently for its remedy. The search for a prosperous agriculture proved elusive as would-be therapists confronted a maze of problems related to the production, credit, and marketing phases of the industry. In the twenties, urben prosperity contrasted so vividly with rural poverty that agrarian America demanded a redress of grievances. These demands thrust the farm problem into the national consciousness where, as a live issue, it attracted the attention of the nation's political and economic leadership. Consequently the Prosperity Decade contributed an expanded vocabulary to the new discipline of

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[18] U. S., Congressional Record, 68th Cong., 1st Sess., January 18, 1924, 1081.

agricultural economics which included such terms as the farm bloc, parity, McNary-Haugenism, the export debenture scheme, and the Federal Farm Board. Farmers also insisted upon reviving earlier panaceas such as cooperation, credit legislation, and an easy money policy. Frustrated at the failure to participate in the affluence of the New Era, farmers determined to right their "cock-eyed" world--to create a genuinely prosperous agriculture.

CHAPTER I

THE CRIME OF 1920: THE FARMER AND THE FEDERAL RESERVE CONSPIRACY MYTH

As in past periods of depression, farmers campaigned in the Dollar Decade for a national monetary policy sympathetic to debtor interests. As the depression worsened, that great interrogative, the money question, revived and farmers once again prepared to battle "Shylockism" and creditor interests. Citing the plethora of inflationary legislation pending in the lame-duck session of the 66th Congress, the New York Times editorialized against "cornfield banking" policies.[1] Henry A. Wallace, editor of Wallaces' Farmer, who was close to the pulse of farmers, described those in the Middle West as "restive" and observed that "conditions are ripe for a wave of Populism such as was experienced in the seventies [sic]."[2] Donald R. Murphy, a Wallace associate, cited the trend in an article, "Is the Greenback Movement Coming Back?"[3] The analogy between the Greenback-Populist era and the inflationist fervor of the 1920's has some validity, but Woodrow Wilson's New Freedom had contributed a new instrument in national monetary policy--the Federal Reserve System. A majority of those who

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[1]New York Times, 15 December 1920, p. 14.

[2]Ibid., 29 May 1921, p. 15.

[3]Donald R. Murphy, "Is the Greenback Movement Coming Back?," Wallaces' Farmer, XVIIL (March 31, 1922), p. 1.

demanded an inflationary monetary policy saw the Federal Reserve as simply replacing the Gold Standard as the instrument of oppression and deflation. Like the debtors of the 1890s, the inflationists of the New Era were convinced that they were about to suffer martyrdom at the hands of creditor interests, this time on a cross conceived in the boardroom of the Federal Reserve System. Former Republican Chairman of the House Banking and Currency Committee, Charles N. Fowler, recognized the new conflict over the old issues: "I assert that the Federal Reserve Act and its management involve all that was at stake in the four presidential elections of 1836, 1868, 1876, and 1896. The question is, will we meet the issue of Bryanism now as we did in 1896?"[4]

Farmers also resented the growing inferiority of rural America as the dynamic force in American life. The census of 1920 reflected demographically this trend when, for the first time, it found more Americans living in urban environments than in the countryside. Although migration from farm to city became a concern of rural leaders during the decade, they seemed powerless to "keep the boy on the farm." Reacting to economic and social forces beyond their control, they preached with an almost grim zeal the doctrines of agrarian fundamentalism, a type of occupational egotism that farmers had indulged in since the days of Jefferson.[5]

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[4]U. S., Congressional Record, 66th Cong., 2d Sess., May 15, 1920, 59, 7238. Another conservative who saw a link between the Greenback agitation of the 1870's and the agrarian movement of the 1920's was Ohio Republican Senator Simeon D. Fess. See U. S., Congressional Record, 69th Cong., 2d Sess., June 25, 1926, 11931.

[5]Clifford B. Anderson, "The Metamorphosis of American Agrarian Idealism in the 1920's and 1930's," Agricultural History, XXXV (October, 1961), pp. 182-188.

Reflecting this mood, the farm bloc of 1922 adopted the Bryan-esque motto, "If you help the farm, the farm will take care of the nation."[6] One rural congressman boasted that farmers "are nature's noblemen, shorn of all claptrap."[7] Nebraskan George Norris concluded, "It is at the rural firewide that virtue, morality and patriotism have reached their highest state."[8] Aside from the spiritual purification of rural living, agrarian fundamentalism emphasized the physiocratic belief that farming was the "basic industry" since farmers were the primary producers of raw materials. The proponents of agrarian fundamentalism believed that unless farmers prospered, the rest of the economy would eventually lag. Cattleman George W. Armstrong proclaimed, "The American farmer is now the chief cornerstone of capitalism and of civilization."[9] Typically, the Farmers' Union staked out the following claims for their industry at their 1922 annual meeting: "Agriculture is the sun of the solar system of the American industries and as such it must be ever held to be the controlling power that keeps the industries, that revolve around it, moving normally in their orbit."[10]

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[6]Homer E. Socolofsky, Arthur Capper: Publisher, Politician, and Philanthropist (Lawrence: University of Kansas Press, 1962), p. 153.

[7]U. S., Congressional Record, 68th Cong., 1st Sess., January 17, 1924, LXV, 1081.

[8]Quoted in Norman L. Zucker, George W. Norris, Gentle Knight of American Democracy (Urbana: University of Illinois Press, 1966).

[9]George W. Armstrong, The Crime of '20: The Unpardonable Sin of Frenzied Finance (Dallas: Press of the Venny Company, 1922), p. 222.

[10]National Farmers' Educational and Cooperative Union of America, Minutes of the Eighteenth Annual Session, Lynchburg, Virginia, November 21, 1922, p. 67.

With faith in the righteousness of their own way of life and confidence in their economic indispensability, farmers had difficulty accepting any part of the blame for the economic despondency of their industry. Most agreed that overproduction was not the cause.[11] As the old agrarian, Tom Watson, told his Senate colleagues in 1921, "This country can never produce too much wheat or too much cotton, so long as there is a single person who has not enough to eat or enough to wear."[12] In his book defending the formation of the farm bloc, Senator Capper bluntly stated the theme: "Over production was not the cause of the decline in farm prices."[13]

Agrarian fundamentalism collided with the erosion of rural influence on national life and the economic reality of the depression. That collision, no doubt, intensified rural America's resentment of urban institutions. This animosity partially explained the vitupera-tion and wrath farm spokesmen heaped upon the Federal Reserve System. Henry A. Wallace was not the only rural leader who complained that, "the Federal Reserve System is evidently primarily a city man's

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[11]Henry C. Wallace was an exception. He wrote: "Some contend that there is no such thing as overproduction. . . . On the same line of reasoning, it can be argued that the production of automobiles will be inadequate until every man and woman and every boy and girl of high school age owns one." U. S., Department of Agriculture, Yearbook of Agriculture, 1922 (Washington, D. C.: Government Printing Office, 1922), p. 4.

[12]U. S., Congressional Record, 67th Cong., 1st Sess., August 5, 1921, LXI, 7411.

[13]Arthur A. Capper, The Agricultural Bloc (New York: Harcourt Brace and Company, 1922), p. 7.

institution."[14] Like the issues of prohibition, evolution, and the Ku Klux Klan, the farmers' contest to reform the national monetary system illustrated a basic theme of the twenties--geographical sectionalism and class distrust.[15]

One other factor in the post-war era led farmers to focus attention on the Federal Reserve System. As farming evolved toward a specialized, mechanized, and commercialized industry, the credit needs of agriculture expanded rapidly. "High land values, land improvements, drainage developments, better seed, more fertilizer, modern farm machinery and equipment--all require money," noted American Farm Bureau President J. R. Howard in 1920.[16] Since the farmer realized cash income from his labor only periodically, credit was vital to his operation.

If the depression, anti-urban sentiment, and the need for credit helped focus attention on the Federal Reserve, its alleged

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[14]"Country Bank Experience with the Federal Reserve Board," Wallaces' Farmer, XVIL (October 7, 1921), p. 5. See also O. M. Kile, "The Money Question: Is the Farmer Getting His Share of Available Credit? If Not, Why Not?," Successful Farming, XX (January, 1921), pp. 5, 36.

[15]William E. Leuchtenburg, The Perils of Prosperity, 1914-1932 (Chicago: University of Chicago Press, 1958), pp. 7-10, 132-33. That "class friction" arose over the deflation issue was also recognized by Henry A. Wallace in "Reducing the Reserve Requirements of the Federal Reserve System," Wallaces' Farmer, XVIL (July 8, 1921), p. 4. An example of deflation presented as a sectional issue is B. C. French, "What Getting Back to Normalcy Means . . . Able Exposition of Principles Underlying Expansion and Contraction of Credits," Iowa Homestead (July 28, 1921), reprinted in U. S., Congressional Record, 67th Cong., 1st Sess., November 9, 1921, 7559-7560.

[16]J. R. Howard, "Farmer's Financial Problems as Viewed by the American Farm Bureau Federation," Successful Farming, XIX (November, 1920), p. 9.

deflation policy of 1920-1921 ignited the battle to reform the system. The Federal Reserve Board reacted sluggishly to post-war economic instability and inflation, but finally permitted the Reserve Banks in November of 1919 to raise their discount rates from 4 per cent to 4.75 per cent. In late January 1920, discount rates were dramatically boosted an additional 1.25 per cent, the steepest single rise in all federal reserve history. The following June, the rates were elevated yet another point to 7 per cent where they remained for the next eleven months.[17]

The decision to boost discount rates and the initial effects of the Depression of 1920 came almost simultaneously. Farmers believed that the high discount rate and the fall in their commodity prices provided a classic example of cause and effect. Farmers viewed the "Great Contraction" of credit and currency as a premeditated and vicious assault of the "money trust" on the farming class. Idaho's Senator Frank Gooding saw the connection when he announced, "The conspiracy of the Federal Reserve Board worked better than they knew. It brought the greatest crisis this country has ever known . . . and in the last three years, taking 1919 as a basis, there has been a shrinkage in the value of farm products and farm lands of more than $34,000,000,000."[18]

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[17]Milton Freedman and Anna Jacobson Schwartz, A Monetary History of the United States, 1867-1960 (Princeton: University of Princeton Press, 1963), pp. 221-31. These rates caused extensive debate over their desirability. For a survey of the literature related to the controversy see Chapter III, below.

[18]U. S., Congressional Record, 67th Cong., 4th Sess., February 28, 1923, 4855.

Though varying in degree of stricture, virtually all farm journals, agricultural organizations, and rural politicians joined in attributing at least a portion of the fall in farm prices to the activities of the Federal Reserve System. John S. Wanamaker, President of the American Cotton Association, termed the System's decision to raise the discount rate "financial tyranny and commercial criminality."[19] Senator Tom Watson of Georgia indicted the Reserve and its discount rate as "secret, unlawful, and ruinous."[20] His Senate colleague from Alabama, J. Thomas Heflin, called the Reserve decisions "miserable, inexcusable, and indefensible."[21] In Nebraska, the Democratic State Convention officially resolved that the policy to raise the discount rate resulted from "a perversion and misuse of powers,"[22] while the Kansas Farmers' Union charged it was "artificially and criminally precipitated."[23] Both the Congressional Progressive and Farm Blocs condemned the discount policy rate and the action in farm circles was soon anathematized as "the Great Conspiracy" or the "Great Deflation," or most popularly, "the Crime of 1920."

As in the Gilded Age, farmers in the 1920s explained the draconic forces threatening their world with an uncritical acceptance

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[19] New York Times, 23 August 1921, p. 26.

[20] U. S., Congressional Record, 67th Cong., 1st Sess., July 19, 1921, 4031.

[21] Ibid., December 19, 1921, 517.

[22] Ibid., August 28, 1922, 11791.

[23] New York Times, 15 July 1921, p. 10.

of a conspiracy motive.[24] Though in the aggregate "the Crime of 1920" conspiracy proved myth, certain fragments of the thesis contained truth--or at least ostensible truths. The composite of truth and exaggeration enhanced the credibility of the myth among rural Americans suffering from hard times, ignorance and governmental insensitivity to real needs. The myth and economic frustration promoted among farmers not only demands for inflation but a concern that the Federal Reserve System, the alleged perpetrator of the "Crime" be exposed and rehabilitated.

Farm spokesmen indicted the "Deflation Twins"--two Wilson appointees, Secretary of Treasury David F. Houston, and Federal Reserve Board Governor William P. G. Harding, as the most prominent of those responsible for "the Crime of 1920." Addressing the 1921 National Farmers' Union Convention at Topeka, President Charles S. Barrett described Houston and Harding as "tools of mysterious, invisible, but immensely powerful interests." Through "cunningly formulated plans, these dollar worshippers . . . determined that deflation must become an accomplished fact. . . . They saw only one thing, prices must come down and the farmers must pocket the loss."[25]

Although farm spokesmen in general were antagonistic toward the Federal Reserve System, a quartet of sleuths exposed the alleged details of "the Crime of 1920." The four included Richard Henry Edmonds,

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[24]H. Wayne Morgan, From Hayes to McKinley: National Party Politics, 1877-1896 (Syracuse: University of Syracuse Press, 1969), p. 386.

[25]National Farmers' Educational and Cooperative Union of America, Minutes of 17th Annual Session, November 15, 1921, p. 8.

editor of Manufacturer's Record, John Skelton Williams, Comptroller of the Currency, Alabama Senator J. Thomas Heflin, and cattleman George Washington Armstrong. Their collective testimony provided a popular rationale for the plight of the American farmer.

Just as they had in the nineteenth century, farmers in the 1920's received support in their criticism of the nation's monetary policies from manufacturers and retailers who were also feeling the stricture of tight money during eras of deflation. The editor who contributed to "The Crime of 1920" explanation for the agricultural depression was not a farm spokesman at all, but in the tradition of Henry W. Grady, promoted the gospel of industrialism for the New South. Editor of the Manufacturer's Record of Baltimore and critic of the Federal Reserve System, Richard Henry Edmonds spoke for inflationist business interests. Accusing the Reserve of catering to myopic and selfish interests and of failure to furnish credit resources during the post-war crisis, he editorialized:

> The Federal Reserve System financed the war; it could not finance the peace. So is the record written; so is it written in shame. Out of our vast resources flowed in endless streams the means to drive back the Huns. Then almost overnight Governor Harding and his associates decided that the onslaught of approaching economic disaster should not be financed, that the reservoirs should be closed and decided on a course of action that facilitated disaster.[26]

Edmonds argued that the Reserve requirements ought to have been lowered. "What is a reserve for?" he asked his readers. To him the answer was obvious.

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[26]Editorial dated June 9, 1921, reprinted in U. S. Congressional Record, 67th Cong., 1st Sess., August 15, 1921, 5017.

Edmonds made his principal contribution to the conspiracy motif when he published a summary of the minutes of the May 18, 1920 Federal Reserve Board meeting with the Class A directors of the System at Washington, D. C.[27] This provided critics of the Board's discount policies with evidence that the decision to raise the discount in the spring of 1920 was reached through devious, if not dishonest, means. Titling his expose "An Amazing Revelation of Secret Financial Meeting," he charged that this meeting, which had discussed the slowing down of the economy through the raising of the discount rates, "was one of the most fateful meetings in the financial history of the world," and that it "reached its conclusions in secret and withheld its conclusions from the public." Edmonds quoted the cautious warning of Reserve Board Governor W. P. G. Harding at the conclusion of the day-long session:

> I would suggest, gentlemen, that you be careful not to give out anything about any discussion of discount rates. That is one thing there ought not to be any previous discussion about, because it disturbs everybody, and if people think rates are going to be advanced there will be an immediate rush to get into the banks before the rates are put up, and the policy of the reserve board is that that is one thing we never discuss with a newspaper man. If he comes in and wants to know if the board has considered any rates or is likely to do anything about rates, some remark is made about the weather. . . . You can go back to your banks and of course tell your fellow directors as frankly as you choose what has happened here today, but caution them to avoid any premature discussion of rates as such.[28]

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[27]U. S., Congressional Record, 67th Cong., 4th Sess., February 28, 1923, 4858-66.

[28]*Ibid.*, 4859. The meeting was a regular quarterly meeting of the Federal Advisory Council and the Federal Reserve Board. Invited to the meeting were the "Class A" or banker directors of each Federal Reserve Bank. Governor Harding gave the following defense for his closing remarks to the conference: " . . . I cautioned those present to refrain from making any statements which might give the impression that a further advance in rates was contemplated. It was not certain

Claiming that "these closing words of a fateful conference are the most damning indictment of the management of the Federal Reserve System which could be penned," Edmonds blasted the Board's secrecy on two counts. The possibility existed that those with inside information could use their knowledge for private gain; and he protested that those present at the May 18 meeting were virtually all bankers. Aligning with many critics of the Federal Reserve System, Edmonds, calling the system too banker oriented, pointed out that its activities affected all classes--merchants, manufacturers, laborers, and farmers. They should all be consulted on monetary policy, not just a banker elite.

Edmonds' revelation of the details of the May 18 conference received eager approval from a number of farm spokesmen who had long held to the conspiracy motif, but had never had the evidence to match their accusation. Senator Heflin of Alabama, in response to the publication of the Edmonds article, admitted, "I did not have that document when I was making the fight here for nearly two years; but I told about what had happened at this meeting without really knowing all of the inside facts."[29] Senator Gooding intoned, "I think this conspiracy is of such importance . . . that it should have the attention of the President," and immediately requested a Senate investigation of the whole matter.[30]

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that the rates would be advanced, and it was obvious that . . . any public discussion of the possibility by any member of the conference would have a disquieting effect without producing any good result." William Proctor Gould Harding, The Formative Period of the Federal Reserve System (Boston and New York: Houghton Mifflin Co., 1925), p. 179.

[29]U. S., Congressional Record, 67th Cong., 4th Sess., February 28, 1923, 4869.

[30]*Ibid.*, 4854.

The fact that the conspiracy conference followed by only a day the passage of the McCormick Resolution in the Senate further strengthened the predisposition of many toward a conspiracy rationale for the depression. Many rural leaders saw no mere coincidence in the two events. Heflin later observed that the Chicago senator who introduced the resolution had a selfish interest in "striking dead the agricultural business and the cattle business of the West." He further charged, "I have said here a dozen times that there must have been some understanding that that action should be taken here in the Senate the same day this advisory council was in oath-bound secret session in Washington." In conclusion, he called the McCormick Resolution "a nucleus around which they hoped to hang deflation."[31] J. T. Holleman of Atlanta, Georgia, descriptively recalled the conference when he wrote that the farmers were deflated "promptly, completely, scientifically, unmercifully. . . . One meeting and the work was done."[32] Nine years after the famed meeting, Oklahoma's Republican Senator W. B. Pine evidently still found attractive political mileage in the conspiracy tale. "On May 18, 1920," he alleged to one Oklahoma City audience, "Fifty-six men assembled in a room in Washington and secretly changed the credit policy of the Nation. When the fifty-six sat down in that room the farmers were prosperous; never more prosperous in all

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[31] Ibid., 4870. Governor Harding insisted the May 18 meeting of Reserve officials and the passage of the McCormick Resolution was "merely a coincidence." W. P. G. Harding, Formative Period, p. 180.

[32] U. S., Congressional Record, 69th Cong., 2d Sess., January 10, 1927, 1398.

their lives. When the fifty-six rose from the table the farmers were bankrupt."[33]

The infamy of the May 18 conference became an integral part of the legend of the Great Conspiracy of 1920, offering proof to believers that their predispositions were justified. The farmers' Union emphasized the conspiracy idea more than the other major farm organizations. One of the Union's emerging leaders, Milo Reno, found his first live issue in the conspiracy plot. He undertook his "baptism of fire" in agrarian politics during the early twenties with a tour of Iowa where he warned farmers of Wall Street's diabolical plot to deflate them. Plunking a swollen satchel on the lectern, Reno shouted to his audience that the mysterious valise contained evidence which proved his allegations. Witnesses reported that audiences grew tense as he proceeded dramatically, putting on his great horn-rimmed glasses and solemnly reading the statistics of the reduction in the amount of money in circulation from its war-swollen highs. Such a show put Reno in great demand as a speaker at farm gatherings throughout the midwest and illustrated the widespread acceptance of conspiracy as a causative agent of the depression.[34]

Another of the four contributors to the "Crime of 1920" myth, John Skelton Williams, served as the thirteenth Comptroller of

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[33] Ibid., 71st Cong., 1st Sess., April 30, 1929, 684.

[34] Dale Kramer, The Wild Jackasses, The American Farmer in Revolt (New York: Hasting House Publishers, 1956), p. 191-92. Still another version of the conspiracy meeting is detailed in Colonel George W. Armstrong's The Crime of '20, Chap. 12, "The Advisory Council is Called Together to Approve Deflation." He claimed the plot was approved by oil speculators and railway employees as well as the "conspirator bankers" with each group desirous of "kicking the producer's 'houn dog aroun'."

the Currency.[35] Williams encountered a unique situation as comptroller, for the Federal Reserve System began operating during his tenure. Almost from its inception, the Federal Reserve clashed with the older bureau, the Office of the Comptroller. Friction between the two government banking authorities resulted from oblique statutes which granted overlapping authority to the rival agencies, from the aggressiveness of the younger institution over jurisdictional questions, and from Williams' splenetic and tactless manner.[36]

As comptroller, Williams, who had aided in drafting the Glass-Owen Bill, enjoyed an ex-officio membership on the Federal Reserve Board and though frequently scuffling with the system, he seemed generally satisfied with its overall management until the spring of 1920. Then, for enigmatic reasons which probably included his genuine distress at the depressed state of agriculture, he began to attack the Board's management.[37] At the May 18 conspiracy conference Williams wondered aloud whether a higher rate of interest would harm only legitimate business, while having little effect upon speculation. In June he told the Maine Bankers Association that the Federal Reserve Banks held an unused lending power of $7 billion and suggested that a 10 per cent

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[35]Williams served from February 2, 1914 to March 2, 1921.

[36]Ross M. Robertson, The Comptroller and Bank Supervision: A Historical Appraisal (Washington, D. C.: The Office of the Comptroller, 1968), pp. 107-115.

[37]Ibid., U. S., Congressional Record, 67th Cong., 4th Sess., February 28, 1923, 4861. Governor Harding rather unconvincingly suggested that Williams became disenchanted with the Board only after he failed to gain reappointment as Comptroller. W. P. G. Harding, Formative Period, pp. 201-02. Williams criticized the discount policy as early as May, 1920. He failed reappointment in December, 1920.

reduction of the reserve requirements would increase the "unused" lending power of the system by "two thousand million dollars."[38] Talk of restriction of credit because of weakening reserves was nonsense to Williams.

In a widely publicized letter written in late December, 1920, Williams said that current policy must be changed to avert "demoralization and disaster."[39] Specifically, he recommended lowering the rediscount rate from 7 per cent to 6 per cent in all commercial and agricultural paper. "There appears," he complained, "to be a scarcity of money, and of credit in the great agricultural and producing sections." He added that New York City caused the drought of credit in agricultural regions and bankers were getting a disproportionate share

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[38]Ibid., 4861. Whether or not to lower the reserve requirement was a central issue between the advocates of tight and easy money during the crisis of 1920. Typical of the arguments defending the Board's decision not to suspend the reserve requirements is this apology from Governor Harding: "The Board may have been overcautious, but those who profess to see no danger in permitting reserves to fall below a prescribed minimum, arbitrary though it be, should remember the predicament of the second Cleveland Administration, when the Treasury's gold reserve fell below the traditional $100,000,000. The courageous steps taken by President Cleveland, with Congress refusing to aid to restore the gold reserve, alone enabled the Treasury to continue redemptions of legal tender notes in gold, and saved the country from a silver crisis." He concluded, "if the situation warranted steps which might result in placing the country upon a paper money basis, the responsibility for such action should be assumed by Congress." W. P. G. Harding, Formative Period, p. 200. Among recent interpreters, Friedman and Schwartz have disputed the claim that the reserve position of the System justified a tight money policy in 1920-21, explaining that the Board maintained a restrictive monetary policy long after the reserve picture had significantly improved. Furthermore, they write, the Board could have suspended the reserve requirements temporarily "at only negligable cost." Friedman and Schwartz, Monetary History, pp. 237-8.

[39]W. P. G. Harding, Formative Period, 102-04.

of service and credit from the Federal Reserve System. He charged that "individual New York banks are borrowing from the Reserve System . . . twice as much as the total some of the Reserve Banks have been lending recently to all the member banks in their districts." Williams revealed records which proved his accusations citing that durina the month of November one bank in New York borrowed $134 million, about $20 million more than the amount lent to the 1091 member banks in the tenth Federal Reserve district headquartered at Kansas City, an area covering most of seven states. Such favoritism, according to the Comptroller, resulted in a scarcity of credit for the interior and wasteful speculation in the plush environs of the Eastern financial centers.[40]

Williams waged continuous criticism against the System in a crescendo of letters, press releases, and speeches. The climax of the

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[40]Williams, of course, failed to consider the relative size of the disputed banking establishments. See Harding, Formative Period, p. 207. A persistent theme of critics like Williams was that agricultural regions suffered a greater curtailment of credit during the era of deflation than industrial sections. Contrary to such sentiment, the Joint Commission of Agricultural Inquiry reported that, "liquidation of bank loans and discounts in the agricultural sections of the country was less than in the industrial sections, and in fact that but little actual liquidation of loans and discounts had taken place in the agricultural sections of the country as a whole up to May, 1921." The report continued, "This does not mean that there was no pressure for liquidation in agricultural loans as well as industrial and commercial loans. It means rather that the prices received by the farmer for the goods he had to sell during this period were not sufficient to liquidate the debts he had made in producing the crop and in extending his plant and operations during the more prosperous period which preceded the crisis." One indication of the pressure for liquidation in agricultural areas is shown by the fact that the reduction of total deposits in agricultural counties was 11.1 per cent as compared with 4.4 per cent in industrial counties. Report of Joint Commission of Agricultural Inquiry, II, pp. 14-15, 117; see Arthur S. Link, "The Federal Reserve Policy and the Agricultural Depression of 1920-1921," Agricultural History, XX (July, 1946), pp. 166-75.

ex-Comptroller's offensive came in an address delivered to the Georgia Press Association in July, 1921. Noting that there had been much paternalistic talk regarding the improvident spending of the common people during 1919, Williams opened his speech with the observation that it was not just the farmer and the laborer who contributed to the spending spree, for indeed the "seers and high priests of our finance" spent lavishly also. After a war, Williams remarked, "poorer men go to silk shirts . . . those better off go to bubbles." It was the "bubble chasers" [speculators], he thought, who most damaged the economy. The post-World War experience was not unpredictable, for a similar orgy of speculation had ensued after all American wars. But Williams was dissatisfied with the economy's performance:

> We are not recovering as rapidly and as smoothly as we should have done. I question nobody's motives. The dismal, cold fact, as it seems to me, is that the Federal Reserve Act, which was designed to provide a system of banking and currency supply, pliable and elastic . . . became stiff and inelastic . . . injurious where it should have been helpful, and dangerously lenient where it should have been repressive.

The fault lay not with the system, but with the "administration of that system by individuals who have not measured up; awkward and inefficient, victims of the disease 'bureaumania.'"[41]

Proof of maladministration, Williams continued, was the fact that the Federal Reserve banks imposed ruinous interest rates on the small rural banks of the country. One "valiant little country bank in Alabama," he stated, "was forced to pay up to 87½ per cent per annum. . . . Certain small banks in Colorado, Kansas, Texas, Louisiana,

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[41]U. S., Congressional Record, 67th Cong., 1st Sess., July 20, 1921, 4087.

Alabama, and other states were charged by their reserve bank amounts . . . from two to five times . . . as much as the rates charged by any government bank in any civilized country on the globe." This credit stringency for rural America came at a time when New York City banks were plied with huge funds for speculative purposes. Williams warned, "The policy of the Federal Reserve . . . seemed to be that if certain big banks wanted anything, why let them have it promptly and no questions asked; but if a little bank or a farmer needed funds, comb him well; make him give up everything he has as security . . . and then make the directors as well; guarantee the loans for all they are worth."[42] Williams cited Governor Harding's informal discussion before the Board urging disfranchisement of the only two Federal Reserve Banks in the South--banks at Atlanta and Dallas--as further proof of the Board's bias against the South. When warned that their deflation policy would probably ruin many small rural banks, Williams reported the response of one board member: "Let them fail."[43] Williams advised

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[42]Ibid. The examples Williams cited of interest rate exploitation were victims of the System's short-lived progressive discount policy. The policy proved an inept attempt to penalize banks for borrowing in excess of their basic line of credit from their Reserve bank. Voluntarily abandoned by the Reserve in 1921, the practice was officially terminated when Congress accepted a Heflin amendment to the Agricultural Credits Act of 1923, specifically repealing the authorization for the Reserve to impose such rates. See Report of Joint Commission of Agricultural Inquiry, II, pp. 55-62; U. S., Congressional Record, 67th Cong., 4th Sess., January 29, 1923, 2649-59; Ibid., January 30, 1923, 2704.

[43]U. S., Congressional Record, 67th Cong., 1st Sess., July 20, 1921, 4089. Williams attributed the statement, "Let them fail," to Edmund Platt, former Chairman of the House Banking and Currency Committee and Reserve Board member. U. S., Congressional Record, February 28, 1923, 4873-4.

farmers and rural merchants that the Federal Reserve System was unequivocally stacked against them. He reminisced, "I heard much talk while I was a member of the Federal Reserve Board about forcing the farmer to sell . . . but I do not recall a single occasion during the past year or two of deflation when the board ever discussed seriously the importance of requiring the big banks in New York City . . . to liquidate."[44]

The accusations of Williams, a founder and former member of the Federal Reserve Board, gave credence to "the Crime of 1920" thesis. As an alleged financial expert, Williams' inside information seemed authentic. A Wallaces' Farmer headline proclaimed, "He Ought to Know," and the article stated, "the more we look into the Federal Reserve System, the more we are convinced that it will not do to permit the board to be composed solely of bankers, economists, and newspaper men who are densely ignorant of agriculture."[45] Other farm journals, organizations, and politicians universally accepted Williams' testimony as valid. Heflin, Edwards, Armstrong, Senator Smith W. Brookhart of Iowa, and others relied heavily on Williams for statistics and lines of argument in developing their own diatribes against the system.[46]

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[44]U. S., Congressional Record, 67th Cong., 1st Sess., July 20, 1921, 4088. Williams' charge that a shortage of credit for legitimate enterprises was due to excessive loans to stock market speculators was frequently repeated by other rural spokesmen. See "Gambling With the Nation's Wealth," Capper's Weekly, XLVII (November 6, 1920), p. 4. The Joint Commission of Agricultural Inquiry found such charges totally without merit. Joint Commission of Agricultural Inquiry, II, pp. 15, 133 ff. Williams also accused the Federal Reserve System of paying extravagant salaries and wasting money on construction projects. See Chapter IV, below.

[45]Wallaces' Farmer, XLVI (August 12, 1921), p. 4.

[46]U. S., Congressional Record, 67th Cong., 1st Sess., August 15, 1921, 5014. Ibid., 6104.

The third member of the quartet who made the Federal Reserve System the cause of the Depression was the Southern cattleman and banker, Colonel George Washington Armstrong. Personal financial misfortune which saw the price of his more than 5,200 cattle decline from $125 per head in 1917 to $25 per head in 1922, and the writings of Williams and Edmonds, inspired Armstrong to write The Crime of '20: The Unpardonable Sin of Frenzied Finance.[47] An admirer of Henry George and an old-line Populist whose zeal for free silver remained untarnished, he blamed the financial system, particularly the Eastern banking establishment, for the deflation. "Wall Street," he wrote, "is not a myth; literally it is only a short, narrow, crooked street in the financial district of New York City, with a graveyard at one end and a river at the other, inhabited by many narrow, crooked men."[48] Armstrong developed the theme that Wilson and McAdoo accepted the Federal Reserve System because of deception and pressure from Wall Street interests. Instead of ridding the nation of the Pujo Committee's "Money Trust," Armstrong contended that the Federal Reserve System established the "sordid, usurious, grafting, mighty money power" more firmly than ever as arbiter of the nation's financial policies.[49] Relying heavily on antisemitic propaganda supplied by Henry Ford, Armstrong concluded that the Federal Reserve Act was the product of the international Jewish conspiracy and

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[47]George Washington Armstrong, The Crime of '20: The Unpardonable Sin of Frenzied Finance (Dallas: Press of the Venny Co., 1922), p. 6. The volume was dedicated to Richard H. Edmonds: "If we recover our freedom from the rule of the Money Lords . . . the victory will be due largely to his vision, courage, incorruptibility, and sturdy Americanism." (Preface)

[48]Ibid., p. 31. [49]Ibid.

its lieutenants Paul Warburg and Bernard Baruch. In one sensational passage, he accused Wilson of agreeing to the Federal Reserve Act in order to keep secret some "undisclosed dark affair" in his past.[50] More important, Armstrong analyzed the parallels between "the Crime of 1873" and the Great Deflation of 1920. He observed that "the same interest and the same greed that brought about the demonetization of silver brought about the enactment of the Federal Reserve Law and the deflation program in the same stealthy and fraudulent manner." The lesson of history was clear: Unless farmers organized and gained control of the Federal Reserve Board they would face another thirty years' war paralleling the last third of the nineteenth century.[51] Armstrong's position afforded exertion of some influence among farmers. A prolific writer for the inflationary cause and Chairman of the Texas Southwestern Cattle Raiser's Association Committee to Save the Industry, he frequently spoke before farm groups and cattlemen. His views were probably given their widest circulation in the anti-Reserve outbursts of Alabama Senator J. Thomas Heflin.[52]

This quartet of critics was largely responsible for developing "the Crime of 1920" thesis. Each dispersed and advanced the anti-Federal Reserve cause in his own particular, if not sometimes peculiar, way. Many farmers accepted as authentic the statistics and research of former Comptroller Williams. Edmonds brought the support of

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[50] _Ibid._, p. 80-83. [51] _Ibid._, p. 241.

[52] U. S., Congressional Record, 68th Cong., 2d Sess., February 20, 1925, 4226-27; Armstrong, Crime of '20, p. 135; George W. Armstrong, "The Remedy," _The Cattleman_, X (March, 1924), p. 8.

inflationary business elements to the movement while Armstrong articulated a revived Populism. The fourth member, Alabama's junior senator J. Thomas Heflin, who synthesized the arguments of the other three into widely noticed propaganda for the cause, became the chief orator of an anti-Reserve movement in the early twenties.

The classical southern politician, Heflin, with his long hair, pince-nez, black frock coat, and white vest, proved one of the most popular orators of the era. One Senate opponent acknowledged that when Heflin spoke, the flags waved and the fife and drum pulsated with patriotism. His flamboyant style, laced with Biblical quotations, homey poetry, and frequently with racist stories involving some hapless Negro, earned him a place in anthologies of demagogues and made him a hero to southern white farmers. An unfriendly, but fascinated, northern press dubbed the Alabamian "Tom Tom" or "Tom Quixote" for his penchant for going on dithyrambic warpaths, often for lost causes.[53] In the summer of 1921, the Senator read John Skelton Williams, and found a new cause.[54] During the next four years he became the most vocal critic of the Federal Reserve in Congress, often making a speech a week in a repetitive blasting of the Reserve System.

Heflin loved to appear as the defender of the people, who were exclusively white and Protestant. He had some genuine empathy for their

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[53]John S. Ezell, The South Since 1865 (New York: Macmillan Company, 1963), p. 377. R. T. Tucker, "Don Tom of Alabama," North American Review, CCXXVI (August, 1928), pp. 8, 57. Herlin D. Merritt, "Incredible Heflin," Outlook, CXLVIII (February 1, 1928), p. 173. W. Davenport, "Tom Quixote," Colliers, CLV (August 13, 1930), pp. 566-68.

[54]U. S., Congressional Record, 67th Cong., 1st Sess., July 20, 1921, 4085.

plight and displayed his best form when fighting against the alleged injustices of Wall Street or the eastern establishment.[55] He often quoted "Hickory Jackson," who, according to Heflin, told "Old Biddle," "If you do [contract the currency], damn you, I will hang you." Heflin quickly made the Jackson-Biddle feud pertinent to the 1920's. "The men who inspred this deflation conspiracy in 1920 were criminals. They deserve to be hanged."[56]

Heflin's criticisms of the Federal Reserve System were rooted in the economic conditions of his cotton-growing constituency, in regional prejudice, and in an acceptance of Populist economic doctrines, particularly the quantity theory of money. Virginia's conservative senator Carter Glass accused Heflin of advocating "printing press economics."[57] In fact, Heflin believed some deflation from the World War price levels inevitable, but it should have proceeded "slowly, gradually, and systematically" over "eight to ten years." Heflin also called the Federal Reserve System a "great" institution, but through "maladministration" it became "perverted" into "an instrument of oppression and torture." The "hasty, drastic, and reckless" deflation proved the Board's mismanagement, resulted in catastrophe for the nation's common people and perpetrated "a crime against the people."[58]

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[55]U. S., Congressional Record, 67th Cong., 2d Sess., January 17, 1922, 1251.

[56]Ibid., February 28, 1923, 4871.

[57]Ibid., January 16, 1922, 1245.

[58]Ibid., 67th Cong., 1st Sess., August 15, 1921, 5013; Ibid., 66th Cong., 3d Sess., December 13, 1920, 274.

No "crime" is without cause, and Heflin worked hard to inform the public of the motives which prompted the disastrous decisions of the Board. He firmly believed in the conspiracy theory and thought that the deflation policy resulted from "secret meetings" and "star-chamber" proceedings. Secret meetings were necessary to hide the machinations of "greedy Wall Streeters," who "made millions on the falling prices of farm products."[59] If this was not true, he asked, why had the Board delayed the announcement of its new policy until after the farmer had his crop in the ground? If farmers had known the Board planned deflation, they would have avoided large-scale buying, embarrassing the eastern corporations. He cited the spring of 1920 "when the farmer bought his fertilizers at top notch price," and asked "Where were the deflationists then?" The Board deliberately waited until the farmer was "tied up hard and fast and then, just at the beginning of the crop-moving time [July], commenced its deadly deflation policy."[60]

Heflin believed that the "deadly deflation" was worse because it discriminated against all agriculture, especially cotton, which deflated "fully fifty per cent," compared with most commodities "which deflated probably 30-35 per cent." The Board refused to grant the cotton representatives' request to provide additional credits to enable farmers to withhold their crop and wait for a rising market. The "market manipulators of New York knew that if the Federal Reserve Board

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[59] Ibid.

[60] Ibid., 67th Cong., 1st Sess., August 15, 1921, 5014.

refused to let the cotton farmer borrow money . . . they would get it at a low price real soon."[61] Heflin's habit of making his point as personal as possible made his style and appeal popular. "An individual farmer in my state . . . with ten bales of cotton at 40¢ a pound had $2,000 worth of cotton. Under the deflation policy of the Federal Reserve Board, the price of that cotton was decreased by July, 1921, to an average price of $45 a bale or $450 for ten bales, so that three-fourths of the value of the farmer's cotton crop was destroyed in twelve months." Then he delivered his punch line, "Does [anyone] quarrel with me for fighting to relieve my people from the cruel bondage of such a board?"[62]

Heflin linked two of the alleged motives behind "the Crime of 1920" to bonds and Republicans. He held that the farm recession of 1920 played a partial role in a Republican plot to win the election for President Warren G. Harding. Rumors claimed that William P. G. Harding, governor of the Federal Reserve Board and a Wilson appointee, supported the Republican ticket against Cox and Roosevelt. Heflin charged that "the service he [W. P. G. Harding] rendered the Republican Party through his deadly deflation policy cost the Democratic Party hundreds of thousands of votes." To Heflin, the fact that the Republicans retained the governor for over two years after they took office

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[61]According to the Bureau of Labor Statistics Index, from June 1920 through June 1921, prices of all commodities decreased 44.9 per cent, and prices of farm products declined 53.9 per cent. See <u>Joint Commission of Agricultural Inquiry</u>, Pt. II, pp. 54-55.

[62]U. S., <u>Congressional Record</u>, 67th Cong., 2d Sess., January 17, 1922, 1252.

more than proved the accusation.[63] Heflin, oblivious to the fact that the Depression of 1920 began while Wilson was President, attempted to place all blame for the agricultural recession on Republicans.

Heflin also blamed the Federal Reserve System for a policy which drove the Liberty and Victory bonds out of the hands of the small investor and into the clutches of "the bond sharks of Wall Street." He explained that once the depression hit:

> The poor little fellow who held a bond could not borrow money on his cotton. He could not borrow money on his cattle, and he could not borrow money on his grain; and what did he do? His good wife said to him, "John, I believe I would borrow some money on your Liberty Bond." He went down to the bank with the gilt-edged security of his Government, a gold bond, and presented it, where he was told when he purchased it that he could present it and obtain money; and what did they tell him? They said, "The Federal Reserve Board will not allow us to lend money on government securities. They have stopped that."[64]

Consequently, the small investor, forced by the circumstances of a tight-money market, sold his bonds below par. Such a policy benefited the speculator, not the patriot. Heflin charged, "I believe that

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[63] Ibid., 1255.

[64] Ibid., 67th Cong., 1st Sess., October 25, 1921, 6723. The bond policy of the government during the 1920-1921 deflation era was questionable and drew strong protest from both rural and progressive spokesmen. For example, see Robert La Follett's criticisms in the Congressional Record, 67th Cong., 2d Sess., January 27, 1922, p. 1769-71. John D. Hicks has written, "The government was tightening up credit by buying up its own bonds at discount rates, by June, 1920, $1,043 million worth of them for $933 million. Why instead of these somewhat unethical transactions, could there not at least have been some relief from taxation?" John D. Hicks, Rehearsal for Disaster, p. 75. By increasing the discount rate on paper secured by government war bonds, the Federal Reserve System induced liquidation and depressed the price of Liberty and Victory Bonds. The Treasury reported that bonds declined from 95.31 in January 1919 to 85.99 in December 1920. See Report of the Joint Commission of Agricultural Inquiry, Pt. II, pp. 77-79.

the Federal Reserve Board proceeded with that deflation policy in part for the benefit of the bond sharks."[65]

Heflin's prolonged and vitriolic oratory had a cathartic but uncertain effect. A member of the minority party, he brought about only minor changes in the Federal Reserve System. But he was a prime mover in organizing the farm bloc in the Senate and a popular speaker on the Democratic hustings in 1922.[66] Though his efforts failed to achieve any major legislation, his constant hammering against the evils of the Federal Reserve and Wall Street wore thin with the Republican Senate majority. During a discussion of farm credits legislation in 1923, Heflin delivered a typical acerbic attack on Republicanism and deflation and subsequently was declared out of order and requested to take his seat. The remarks that offended the Republicans were not unlike others Heflin had made dozens of times before, but Vice President Coolidge, over the protests of several farm Senators, took the unusual position that Heflin's attitude and bodily expression [if not his choice of words] constituted unseemly conduct for a United States Senator. Unchastened, Heflin thundered a characteristic retort when broached with the idea of apologizing to the offended senators:

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[65]U. S., Congressional Record, 67th Cong., 1st Sess., October 25, 1921, 6723; Ibid., 67th Cong., 2d Sess., January 17, 1922, 1252-53 and August 2, 1922, 10885.

[66]Chairman, Democratic National Committee, Cordell Hull, Washington, D. C., February 16, 1923 to Senator J. Thomas Heflin; Jim McClintie, Chairman, Speakers Bureau of the Democratic National Congressional Committee, Washington, D. C., November 10, 1923 [sic], to Senator J. Thomas Heflin; A. B. Rouse, Chairman, Democratic National Congressional Committee, Washington, D. C., November 10, 1922 to Hon. J. Thomas Heflin, U. S., Congressional Record, March 3, 1922, 67th Cong., 4th Sess., 5285.

"Apologize! I would see them further down yonder in the hot regions than a greyhound could run in a hundred years before I apologize."[67]

A chorus of southern and western senators, all with basically rural constituencies, joined Heflin in condemning the Federal Reserve System. Among the first to attack the discount policies of the Board was Oklahoman Robert Owen, co-author of the Federal Reserve Act of 1913. In April, 1920, as Chairman of the Senate Banking and Currency Committee, Owen began a chain of correspondence with the Federal Reserve Board objecting to the discount policies of the System. Contrary to the claims of the Federal Reserve apologists, the Chairman maintained that the imposition of a higher discount rate would have little effect on the speculator, "because the speculator has a specific profit in sight."[68] Owen believed that the higher rate hindered only legitimate business. On November 18, 1920, in a widely read letter, Owen contended that the System ought to gear its credit arrangements to the needs of legitimate industries rather than base them on the limitations of an arbitrary reserve requirement. He reasoned that the basic disagreement over Reserve policy between "liberals" like himself, and "conservatives" like Harding, was that conservatives wanted the System run "from the bankers view" rather than as a "public service."[69]

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[67] _Ibid._, February 1, 1923, 2831-33; _Ibid._, February 2, 1923, 2864-69.

[68] _Ibid._, 66th Cong., 2d Sess., May 14, 1920, 7199.

[69] _Ibid._, 7039-43; Senator Owen develops his attack in _Ibid._, 7199-7211; W. P. G. Harding's reply is found in Harding, _The Formative Period_, pp. 195-200.

Other leading rural senators quickly concurred with Owen and Heflin. In the summer of 1921, Tom Watson of Georgia, in one of the last battles of his colorful career, called for the removal of the entire Federal Reserve Board. He enunciated the old Populist demand for a national currency issued under exclusive authority of the government.[70] Maryland's Senator John W. Smith adjudged, "It [deflation] has gone too far. They [FRS] scattered their shot too much. They shot at one class of people and are hitting another class."[71] In May, 1920, Ellison "Cotton Ed" Smith of South Carolina complained that farmers could not get credit. "If you want to lower a house," he explained, "you can put jackscrews under it and let it go down gradually and in a proper manner, and you still have your house when you have it lowered. But if you attempt to lower it from the top with a sledge hammer, you can lower it all right, but when you get it lowered you have not any house."[72] Obviously, Smith thought the discount policies of the Board were smashing the agricultural industry almost beyond repair.

Again and again the conspiracy theme haunted much of the discussion regarding the activities of the Federal Reserve Board. Virtually every farm bloc spokesman reiterated the motif in some version as did many of the progressives. George Norris condemned the "wrongful manipulations of the power vested in the Federal Reserve

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[70]New York Times, 20 July 1921, p. 6, contained one such address; see U. S., Congressional Record, 67th Cong., 1st Sess., August 5, 1921, 4711-14; Ibid., October 7, 1922, 6104; Ibid., S. J. Res. 84, 67th Cong., 1st Sess., p. 4031.

[71]U. S., Congressional Record, May 14, 1920, 7042.

[72]Ibid., May 31, 1920, 7975.

Board, through their control over Federal Reserve Banks."[73] Campaigning as the Progressive party candidate for President in 1924, Robert La Follette attacked the "conspiracy of wealth and deflation" that occurred about 1920. According to him, "the predatory group of banks and monopolies" through its deflation program, caused bankruptcies, and destroyed labor and the farmer.[74] Two Republican senators who especially verbalized the conspiracy nature of "the Crime of 1920" represented the "radical Republicanism" of the Dollar Decade. Senator Edwin Freemont Ladd of North Dakota, who could speak as long as anyone on the subject, advocated nationalization of the entire system. Summarizing his feelings, he called the deflation policy of the Federal Reserve "an immoral and conscienceless conspiracy against the people . . . almost treason."[75] The fiery Smith W. Brookhart also successfully used the conspiracy theme as the main thrust of his stump oratory during his Iowa campaigns in the twenties.[76]

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[73]Senator George Norris, Washington, D. C., December 11, 1922, to Hon. Frederick C. Howe, Machinists' Building, Washington, D. C., George Norris Manuscripts, Library of Congress.

[74]New York Times, 9 October 1924, p. 3; U. S., Congressional Record, 67th Cong., 2d Sess., January 26, 1922, p. 1769-71.

[75]U. S., Congressional Record, 67th Cong., 4th Sess., February 23, 1923, 4361 [4357-70]; Ibid., 67th Cong., 2d Sess., June 21, 1922, 9091-9100; Ibid., 67th Cong., 3d Sess., November 22, 1922, 28-30; Ibid., 67th Cong., 4th Sess., January 19, 1923, 1981-85; Peter Norbeck, a member of the Senate Banking and Currency Committee, expressed similar views. See Gilbert C. Fite, Peter Norbeck: Prairie Statesman (Columbia: University of Missouri Studies, XXII, No. 2, 1948), pp. 103-04.

[76]New York Times, 3 September 1926, p. 6; Reinhard H. Luthin, "Smith Wildman Brookhart of Iowa: Insurgent Agrarian Politician," Agricultural History, XXV (October, 1951), p. 190; U. S., Congressional Record, 70th Cong., 2d Sess., January 17, 1924, 1081-86; Ibid., February 12, 1929, 3301-10.

Heflin's accusations against the Federal Reserve found sympathy and support in farm circles. In one twenty-two page insert into the Congressional Record, the Senator published dozens of letters and editorials from supporters across the land.[77] "Go to it," urged the Democratic State Chairman of Ohio, "and show up this conspiracy between Wall Street and the special interests. . . ." and an attorney from South Dakota claimed the deflation of 1920 "places the so-called "Crime of '73" in the kindergarten class by comparison." A South Carolinian turned to Biblical precedent, "The Federal Reserve Board," he wrote, "has placed the South and West exactly where Joseph placed Egypt 4,000 years since. He first took their money; second, their cattle; and finally, their land."

Messages of support also came from notable politicians and farm leaders. Among the latter were letters from J. T. Reed, President of the Minnesota Farm Bureau Federation, J. S. Wanamaker, President of the American Cotton Association, and U. T. Blackwell, publisher of the Cotton and Cotton Oil News of Dallas. Senators Cordell Hull of Tennessee, C. C. Dill of Washington, and former Senators James H. Lewis of Illinois and W. E. Chilton of West Virginia also offered their encouragement to Heflin. Chilton boasted, "I own the largest Democratic paper in West Virginia," with which he promised to "hammer" the issue of deflation.[78] Congressman-elect Tom D. McKeown of Oklahoma, one of

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[77]U. S., Congressional Record, 67th Cong., 4th Sess., March 3, 1923, 5284-5306.

[78]W. E. Chilton, Charleston, W. Va., February 7, 1922 to Hon. J. Thomas Heflin; Ibid., 5299.

several who enthusiastically offered to join the battle with Heflin, chortled, "You have sure taken the hide off that bunch . . . you have pulled the mask off, so that people can see and understand the real facts."[79] Two other significant names which should be listed among those who publicly endorsed Heflin's position were ex-governor E. C. Stokes of New Jersey, a banker of considerable influence, and Henry A. Moehlenpah of Wisconsin, President of Milwaukee's Bankers' Finance Corporation. Like John Skelton Williams, Moehlenpah served as a member of the Federal Reserve Board under Wilson.[80]

The agricultural press held a common resentment against the Federal Reserve System. Successful Farming, Iowa Homestead, Capper's Weekly, American Agriculturalist, The Progressive Farmer, The Cotton and Cotton Oil News, and Wallaces' Farmer excoriated the Federal Reserve. The Progressive Farmer, a southern journal dating back to the heyday of Populism, reacted early against the Reserve's deflation program. In June, 1920, editor Clarence Poe cautioned, "The Federal Reserve Board is pursuing a seriously mistaken policy in its plan for restoring loans and credit. . . ." Admitting the necessity of some deflation of finished items like cotton goods, Poe denounced any attempt to deflate the prices of raw commodities.[81] He believed the credit resources available to agriculture were insufficient.[82]

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[79]Tom D. McKeown, Ada, Okla., April 29, 1922 to Hon. J. Thomas Heflin; Ibid., 5298.

[80]H. A. Moehlenpah, President, Bankers' Finance Corporation, Milwaukee, Wis., September 25, 1922, to J. Thomas Heflin; Ibid., 5306-07.

[81]The Progressive Farmer, XXXV (June 12, 1920), p. 14.

[82]Ibid., XXXVI (May 21, 1921), p. 8.

After reviewing the effects of the Depression of 1920 on the farmer, E. T. Meredith, founder and editor of Successful Farming concluded:

> It seems to me that one of two things is evident. Either those responsible for the interpretation of the [Federal Reserve] Act are failing to give farmers the treatment they need and deserve, or the Act falls short of serving farmers, and steps should be taken to amend it.[83]

Capper's Weekly, the alter ego of Kansas Senator Arthur Capper, devoted considerable editorial space to denouncing the administration of the Reserve. During the summer of 1921, the weekly predicted an optimistic future but pouted that "in the meantime the less said about what the Federal Reserve did for agriculture the better for the temper of the men who know precisely what it did and how it did it."[84] In his personal column, Senator Capper characterized the Reserve thusly: "The Federal Reserve renders a totally inadequate credit service to farmers where it renders any. It is a commercial banking institution. Its paper shows it is providing one dollar of credit for this country's eighty billion dollar farming industry, to one thousand dollars of credit extended elsewhere."[85]

Henry A. Wallace, son of Harding's Secretary of Agriculture, maintained a more than casual interest in the money question. As editor of the family-owned Wallaces' Farmer, he relished a deserved reputation as a farm economist. Consequently, the magazine devoted

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[83]E. T. Meredith, "Agriculture and the Bank, A Statement and Comment on the Federal Reserve Act," Successful Farming, XIX (December, 1920), pp. 11, 65.

[84]Capper's Weekly, XLVIII (August 13, 1921), p. 4.

[85]Arthur Capper, "Killing the Engine," Capper's Weekly, XLVII (January 15, 1921), p. 1.

more space than its competitors to the relation of the Federal Reserve and monetary policy to the farm problem. As early as June, 1920, Wallaces' Farmer informed readers that "the Federal Reserve Board has gone just about far enough in the raising of the interest rates."[86] The magazine hinted that a 2 per cent reduction in the discount rate was in order. During the next year and a half, Wallace scarcely allowed an issue to pass without inserting some reminder of the "wholly inadequate credit" resources available to farmers. In such editorials as "Inflation the Cure," "Federal Reserve Deflation," "The Menace of the Deflationists," and "How We Were Deflated," Wallace reflected the popular rural resentment of the Reserve System.[87] Reminiscent of Heflin's arguments, Wallace stated that though the Reserve "is the best system we have ever had . . . it will be necessary to modify the law under which the system operates or to remove a large number of the Federal Reserve officials who are now interpreting the law."[88]

In more reflective moments, Wallace understood that rural distress was not the sole responsibility of the Federal Reserve System. Though caustic in appraising the administrative leadership of the Federal Reserve System he recognized their alleged blunders as only a partial answer for the bleak economic picture which faced the farm industry. Whether his readers were as sophisticated in evaluating the

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86"What Tight Money Means," Wallaces' Farmer, XLV (June 18, 1920), p. 1611.

87"The Federal Reserve System," Wallaces' Farmer, XLVI (March 4, 1921), p. 4; and Ibid., XLVI (June 10, 1921), p. 4.

88"Country Bank Experience With the Federal Reserve Board," Wallaces' Farmer, XLVI (October 7, 1921), p. 5.

role of the Reserve System in the depression was doubtful. Certainly Wallaces' Farmer did nothing to allay the farmer's suspicions of the Reserve System.[89]

Two of the "big three" national farm organizations, the Farmers' Union and the American Farm Bureau Federation, agreed that the performances of the Federal Reserve System deserved harsh review.[90] At its national convention in 1921, the Union adopted a report which condemned the leadership of the Federal Reserve for "dictatorial and unreasonable limitation of agricultural credits." "This policy," the report explained, "is simply the continuation of the long standing scheme to dominate and control the nation's businesses, through financial manipulation dictated by the great financial interests centered in Wall

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[89]See letters by W. B. D. and H. P. Miller, both in Wallaces' Farmer, XLV (December 31, 1920), p. 2891; Letter by M. D. Wolcott, XLVI (February 4, 1921), p. 223. See the following editorials in Wallaces' Farmer: "Interpreting the Federal Reserve Act," XLVI (May 13, 1921), p. 5; "Better Credits for Farmers," XLVI (June 17, 1921), p. 6; "Reducing the Reserve Requirement of the Federal Reserve System," XLVI (July 8, 1921), p. 4; "Inflation the Cure," XLVI (July 15, 1921), p. 4; "How We Were Deflated," XLVI (December 23, 1921), p. 4; "Let's Go," XLVI (August 5, 1921), p. 4; "The Country Banker and Deflation," XLVI (September 30, 1921), p. 6; and an article by Carl N. Kennedy, "Rediscount Rates Must Come Down: Revival of Farm Business Waits on More Liberal Federal Reserve Policy," XLVI (September 23, 1921), p. 3.

[90]At its 1920 convention, the Grange, the most staid of the "big three" farm organizations, contented itself with the adoption of a resolution urging Congress to pass "A personal short-time credit system for farmers, to enable them to meet their short-time credit needs for both the production and the orderly marketing of their crops throughout the year. . . ." Patrons of Husbandry, Proceedings, National Grange, 54th Annual Session, Boston, November 10-18, 1921, p. 153.

Street, New York."[91] Hostility toward the Federal Reserve grew within the Union during the next decade. In 1923 at the national convention at Omaha the Union failed "by a small margin" to adopt a resolution calling for nationalization of the Reserve System.[92] In 1927 at Des Moines, the Farmers' Union convention first listened to "General" Jacob Coxey and then resolved that "the government immediately take over the Federal Reserve Banking System . . . and that inflation and deflation of currency and credits shall be absolutely in control of Congress."[93] They not only opposed the alleged deflation program of the Reserve, but advocated outright inflationary proposals such as the soldier bonus and increasing the quantity of money in circulation to $50 per capita. The vigorous efforts of the Union to found cooperative agricultural banks provided further evidence that the organization felt alienated from the Reserve. The farmer banks they proposed were not only to compete with commercial banks but more fundamentally they were to provide "a means through which agriculture can control its own money."[94]

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[91]New York Times, 16 November 1921, p. 7.

[92]National Farmer's Educational and Cooperative Union of America, Minutes of the Nineteenth Annual Session, Omaha, Nebraska, November 20-22, 1923, p. 56.

[93]Ibid., 23rd Annual Session, Des Moines, Iowa, November 15-17, 1927, pp. 8, 47.

[94]Ibid., 18th Annual Session, Lynchburg, Virginia, November 21-23, 1922, pp. 68-70. See also Ibid., 20th Annual Session, Oklahoma City, November 18-20, 1924, p. 6; and Charles S. Barrett, Uncle Reuben in Washington (Washington, D. C.: The Farmer's National Publishing Co., Inc., 1923), Chapter XIV, "The Deflation Debacle of 1920-21."

The American Farm Bureau Federation, no bastion of Populism, differed from the Farmers' Union in its belief that the Federal Reserve System needed reform, not elimination. After studying the credit situation during the latter part of 1920, the Bureau concluded that the depressed commodity and livestock markets resulted from two primary causes: the deflationary policy of the government, and the loss of foreign markets.[95] J. R. Howard, Bureau President, wrote:

> We have contended that the Federal Reserve has been to some extent responsible for an enforced liquidation and that it has not extended a proper proportionate credit to the farmer. While the Federal Reserve Bank has been of tremendous benefit to the whole country it has not measured up to its opportunities. It has been too much an overflow tank for banks, and too little a reservoir of national credits functioning with the broad vision of all sectional needs.[96]

The rather temperate criticisms of Howard surfaced in the following resolution adopted at the Federation's 1920 National Convention: "We are opposed to the policy of drastic and precipitate deflation, which seems to have been instituted by our Federal Reserve Board. . . . Reasonable contraction was necessary but drastic deflation as now practiced has caused widespread disaster."[97]

O. M. Kile, agricultural columnist and public relations representative for the Bureau, expanded on the Federation's position in an

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[95]J. R. Howard, "Farmer's Financial Problem As Viewed by the American Farm Bureau Federation," Successful Farming, XIX (November, 1920), p. 9.

[96]Weekly News Letter, No. 23 (June 9, 1921), p. 4.

[97]The American Farm Bureau Federation, Resolutions Adopted at the Second Annual Meeting, 1920. Also see Gray Silver, The Money Question From the Farmer's Viewpoint (Chicago: American Farm Bureau Federation Pamphlet No. 2, 1920), cited in Shideler, Farm Crisis, p. 41.

article for Successful Farming in January 1921.[98] He wrote that farmers were indeed victims of credit discrimination. While farmers owned one fourth of the entire wealth of the country and produced an annual gross wealth almost equal to that of all manufacturing and mining, they received "probably less than fifteen per cent" of the total credit available through the Federal Reserve. As a partial explanation for this neglect of the credit needs of farmers, he charged that "the existing credit system was devised and developed largely by urban bankers for urban needs. It was never planned to meet the farmer's needs. . . ." The Federal Reserve made the urban orientation of the banking industry obvious, he said, when it only discounted paper of six months or less maturity. The farming business, Kile noted, "with its long turnover periods," needed longer term credit than what was available. He also observed that high interest rates and the decision of most country banks to stay outside the Reserve prevented "the benefits of the Federal Reserve System" from reaching "the Farm Borrower." During 1921-1923 the Farm Bureau determined to make the Federal Reserve more sensitive to the financial needs of the agricultural industry.

"The Crime of 1920" myth significantly influenced farm politics of the twenties. By the end of 1922 virtually every southern senator, with the obvious exception of Carter Glass of Virginia, and most western senators of a progressive bent, jointed in an inflationary bloc in Congress. The myth and the bloc would prove sufficiently powerful

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[98]O. M. Kile, "The Money Question: Is the Farmer Getting His Share of Available Credit? If Not, Why Not?," Successful Farming, XX (January, 1921), pp. 5, 36.

to wrench several concessions from an antagonistic Federal Reserve System and a hesitant national administration. In the meantime, the term "the Crime of 1920" joined its predecessor, "the Crime of '73" as a slogan representing conspiracy, injustice, and bankruptcy to the American farmer.

CHAPTER II

UNCLE REUBEN IN WASHINGTON: THE FARMER LOBBY FOR EASY CREDIT, 1920

Throughout American history farmers were "foul weather friends," joining together during times of common difficulty to demand relief. Two new developments influenced the effectiveness of organized agriculture in the 1920s. For the first time since Jamestown, rural people comprised a minority of the total population, which contributed to a growing sense of class consciousness among farmers. They also developed more effective organizational structures. Between mid-1919 and mid-1920 at least four farm organizations installed permanent offices in Washington. These lobbyists included the Farmers' National Council, the Grange, the National Board of Farm Organizations (allied with the Farmers' Union), and the youngest but most powerful, the American Farm Bureau Federation. These groups, and emphasis on establishing marketing cooperatives, gave the farmer better organizational tools than at anytime in the past.[1]

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[1]Murray R. Benedict, Farm Policies of the United States, 1790-1950 (New York: The Twentieth Century Fund, 1953), pp. 175-178; Orville Merton Kile, The Farm Bureau Through Three Decades (Baltimore: Waverly Press, 1948), p. 64; James H. Shideler, Farm Crises, 1919-1923 (Berkeley: University of California Press, 1957), p. 26. For a historical sketch of each of the organizations see Theodore Saloutos and John D. Hicks, Twentieth Century Populism: Agricultural Discontent in the Middle West, 1900-1939 (Lincoln: University of Nebraska Press, 1951).

The farmer's emphasis on cooperative marketing, farmer lobbies, and mutualization of rural interests, was an effort to imitate the business methodology which seemed responsible for the inauguration of the New Era of prosperity. The decade's emphasis on efficiency and cooperation enticed farmers to apply the magic formula, "business-like methods," to their own operations. In 1921, at the request of the Kansas State Board of Agriculture, Wall Street financier Bernard Baruch studied the problems of agriculture and concluded that a major failing of the industry was that farmers were individualists in an age of consolidation. Baruch wrote in his memoirs:

> It was clear to me, as I studied the farm situation, that here was a glaring example of the evils of unbridled competition. . . . The great corporations of America, although often eloquent in praise of competition have nevertheless been built through cooperation, consolidation, and integration. I was so intrigued with the idea that farmers could take this page from industry's book.[2]

The advice to farmers to emulate businessmen and organize and combine was given so often during the decade that the phrase tended to become bromidic and superficial. Certainly few disagreed with Senator Carter Glass when he admonished, "Why not tell the farmer the truth and advise him, if he would escape the consequences of another such disaster he should organize."[3]

The campaign to transform the farmer into an organization man was based on the assumption that agriculture needed government aid to

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[2]Bernard Baruch, Bernard Baruch: The Public Years, Vol. II (New York: Holt, Rinehart and Winston, 1960), p. 156.

[3]U. S., Congressional Record, 67th Congress, 2d Sess., January 17, 1922, p. 1242.

revive and prosper. As the whirlpool of depression sucked commodity prices to ever lower levels, farmers demanded that Washington rescue them from their predicament.[4] But winning governmental favor proved difficult for the nation's farmers. Farmer's Union President Charles Barrett, in a book explaining his role as defender of "Uncle Reuben" (the farmer) at the Capitol, observed "In Washington things are done by the use of one or more of a trinity of influences: the club, the merit in the question submitted, and the trade."[5] But the "bright-eyed, keen eared, and soft-tongued" lobbyists of other interests were more dexterous at securing government largess than the disorganized "Reubens" of the country.[6] "If the farmers," Barrett lectured, "had taken the same interest in legislation as did the railways, the Chamber of Commerce, [and] the National Manufacturer's Association . . . the Federal Reserve Board would not have dared to disregard agriculture as it did last year."[7] Farm spokesmen also suspected that the paucity of wealth in rural regions directly resulted from the partiality behind government favors. One farm Congressman complained:

> More than 80 percent of the wealth of the United States is located within less than one-fifth of geographical area. . . . The people within that zone do not work harder to produce their

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[4]David F. Houston, Eight Years with Wilson's Cabinet, 1913-1920, II (New York: Doubleday, Page and Co., Inc., 1926), p. 103.

[5]Charles S. Barrett, Uncle Reuben in Washington (Washington, D. C., Farmers National Publishing Co., Inc., 1923), p. 69.

[6]National Farmer's Educational and Cooperative Union of America, Minutes of the Twentieth Annual Session, Oklahoma City, Oklahoma, November 15, 1921, p. 14.

[7]Ibid., Minutes of the Seventeenth Annual Session, Topeka, Kansas, November 15, 1921, p. 14.

> large profit than the people in agricultural sections. . . . The difference is that the people in the industrial zone have for long years enjoyed the benefit of special legislation which gave them an advantage over the people engaged in agricultural pursuits.[8]

Early in the decade, farmers grew determined to shed their stepchild status and claim their rightful inheritance. Agricultural leaders agreed that the key to such recognition would be found only in cooperative effort.

Although the plea for government assistance sounded familiar, the plea contained a new insistence as farmers blamed the wartime policies of the government for their post-war plight. In his annual address to the 1924 national convention of the Farmers' Union, Barrett complained that Washington had portrayed "a hungry, anxious Europe" to farmers "as a bait to further the production effort" even into the crop of 1920. "Then came the fear of inflation tendencies . . . the depressive policy of the Federal Reserve Board and . . . the crash."[9] Barrett, as did most farm spokesmen, also blamed the government for rising taxes and for increased railroad freight rates as a result of the Esch-Cummins Act of 1920. Senator Capper agreed that the government mistreated farmers. The Kansan told the readers of his column:

> We can finance a 26 billion dollar European War . . . European governments . . . American railways and . . . wild and wooly speculation. But we've got no money to lend to the hard-pressed young farm family struggling to pay for a home, nor to

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[8] U. S., Congressional Record, 70th Congress, 2d Sess., January 7, 1929, p. 1296.

[9] National Farmer's Educational and Cooperative Union of America, Minutes of the Twentieth Annual Session, Oklahoma City, Oklahoma, November 18-20, 1924, p. 6.

> save from bankruptcy the men who have their all in wool, their cotton, their livestock, or their grain. . . .[10]

A disgruntled South Carolinian most tersely expressed the farmers' displeasure with Washington when he complained, "We are getting what's coming to us before time. Saint and sinner are squirming. . . . When the Government needed us it took us, now we need the Government and it is nowhere to be found, and the question naturally arises, 'What is the use of such a one-sided affair?'"[11]

The impression that theirs was indeed an unrequited affair seemed underscored when the 1920 Democratic Platform failed to respond to farmer complaints. Between the major party platforms in 1920, agriculture received better treatment from the Republicans, whose agricultural plank was the work of Henry C. Wallace. The Democrats seemed satisfied to rest their appeal on the past accomplishments of the New Freedom.[12]

Agricultural representatives, bitterly resentful of the Administration's insensitivity to the farm problem, found credence for their accusations in the attitudes of the Federal Reserve Board Governor William P. G. Harding and Secretary of the Treasury David F. Houston.

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[10]Arthur Capper, "Just a Few Facts," _Capper's Weekly_, XLVII (November 10, 1920), p. 1.

[11]W. A. James, Bishopville, South Carolina to Senator E. D. Smith, Washington, D. C., December 15, 1920, reprinted in U. S., _Congressional Record_, 66th Cong., 3d Sess., January 10, 1921, p. 1185.

[12]Shideler, _Farm Crises_, p. 34. For a discussion of Wallace's role in the election see Donald L. Winters, _Henry Cantwell Wallace as Secretary of Agriculture, 1921-1924_ (Urbana: University of Illinois Press, 1970), pp. 44-51.

In his address at the 1920 national convention of the Farm Bureau, Harding did little to ease the strain when he defended the Reserve system from charges of discrimination against agriculture and urged farmers, suffering from the worst price break in a generation, to have "no feeling of undue depression or despair." He concluded that "individual effort must solve the crisis."[13] Secretary of Treasury David F. Houston proved equally devoid of constructive ideas in his testimony before a joint session of the agriculture committees of Congress. Houston frankly affirmed that his department had no solution for the problems facing the farmer--a position Eugene Meyer, a New York Banker and War Finance Corporation director, charged constituted "a confession of complete impotence in the present crisis."[14]

Farmers experienced more frustration during the last months of the New Freedom as the lame-duck government doggedly pursued a policy of inaction. In September, wheat, livestock, and cotton producers personally petitioned the Federal Reserve Board and the Treasury asking that something be done to enable producers to withhold their produce

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[13]New York Times, 8 December 1920, p. 2.

[14]Ibid. In his memoir, Houston asserted: "There was not a great deal which could be done, except of a temporary character to aid the people in distress. Time alone, and the readjustment of the industry of this nation and of the world, could bring the necessary relief." Eight Years, III, p. 108.

Houston, who had served as Secretary of Agriculture before his appointment to the Treasury, bitterly disappointed farmers with his seeming aloofness during 1920. Barrett satirically wrote that Houston had "one qualification which he regarded as of higher value than any talent a cabinet officer could bring to the aid of his associates. He had poise . . . during all the tortures inflicted on agriculture he never forgot, no matter what else was lost, to take care that there should be no sacrifice of poise." Uncle Reuben, pp. 78-79.

from sale until cotton rebounded to 40 cents a pound and wheat to $3 a bushel. On September 15, 1920, John S. Wannamaker, president of the American Cotton Association, led a delegation that called upon Governor William P. G. Harding at his Federal Reserve offices in Washington.[15] These representatives of the "hold the crop" movement hoped to gain a sympathetic response from Harding, a fellow Southerner, to suggestions that the Reserve System grant assurance that it intended to freely discount warehouse receipts based on cotton. The delegation hoped that such assurances would result in increasing the amount of credit available to Southern farmers and help in maintaining prices for their staple crop. But Harding believed the suggestion unwise and refused to acquiesce in the request.[16] Wannamaker dejectedly reported that " . . . all efforts to secure relief proved absolutely unavailing."[17]

In mid-October, the American Cotton Association, the Grange, and the Farmers' Union invited a delegation of "dirt farmers" to Washington. During audiences with the Federal Reserve Board they requested a lower discount rate and easier credit. In a dramatic interview with Secretary Houston, the farm delegation applauded the emotional appeal of Senator "Cotton Ed" Smith of South Carolina when

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[15]John S. Wannamaker's account of these meetings is found in U. S., Congress, Senate, Committee on Agriculture and Forestry, Stabilizing the Prices of Certain Products: Hearing on S. 2964, 67th Cong., 2d Sess., February 2, 1922, pp. 15-16.

[16]U. S., Congressional Record, 67th Cong., 1st Sess., August 15, 1921, p. 5016; W. P. G. Harding, The Formative Period of the Federal Reserve System (Boston: Houghton Mifflin Co., 1925), pp. 187-88.

[17]U. S., Congress, Senate, Committee on Agriculture and Forestry, Stabilizing Prices of Certain Agricultural Products, Hearings on S. 2964, 67th Cong., 2d Sess., 1922, p. 15.

he challenged the administrator: "You, Mr. Secretary, are the only one who can speak the words to liberate us. God help you if you don't do it. We face ruin, and it's monstrous and an official crime not to stop it." Specifically the delegates asked that Houston approve the revival of the War Finance Corporation, thereby enabling farmers to finance their European exports.[18] These farm delegations failed to affect the policies of the Wilson Government. Disappointed, they reported the administration had received them with but "scant courtesy."[19]

November and December 1920 witnessed no improvement in the relations between farmers and the administration. The national convention of both the Farmers' Union and the American Farm Bureau condemned the government's credit policies and the chorus of complaint was broadened in testimony before a joint session of the Senate and House agriculture committees.[20] At the national governor's conference annual meeting in December the condition of agriculture, variously described as "acute," "alarming," and "tragic," was the principal topic of gubernatorial oratory. At the request of Governor W. L. Harding of Iowa, the conference, attended by more than half of the nation's statehouse executives, resolved that if necessary, "Congress should at once amend the

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[18]New York Times, 15 October 1920, p. 1.

[19]Ibid., 18 October 1920, p. 14; American Agriculturalist CVI (October 23, 1920), p. 12; National Farmer's Educational and Cooperative Union of America, Minutes of the Seventeenth Annual Session, Topeka, Kansas, November 15, 1921, p. 14. Houston's account of these conferences is found in Eight Years, II, pp. 103-105.

[20]New York Times, 5 December 1920, p. 16.

Federal Reserve law so as to temporarily supply additional currency, and afford more time in which to pay to debtors in distress."[21] The governors also agreed to break tradition and send representatives to Washington to ask Congress to aid agriculture. Aside from easing credit, the conference wanted Congress to create a foreign trade commission to help finance commodity exports.[22]

After suffering the rebuff of the Administration farmers looked to the final session of the Sixty-sixth Congress for a redress of their grievances. The lame-duck Congress convened in December 1920 and immediately rural congressmen introduced numerous proposals for the relief of agriculture. At least seven representatives introduced resolutions criticizing the Federal Reserve and its response to the recent commodity break. One resolution demanded that the Board limit its maximum discount rate to 5 per cent, and another asked that Congress create a commission to investigate "the withdrawal of credit."[23]

The major battle between the Administration and the advocates of farm relief during the third session of the Sixty-sixth Congress concerned the revival of the War Finance Corporation. During the war, the corporation advanced money to railroads, utilities, and other businesses engaged in work thought necessary for the prosecution of the war. Due to the exhaustive use of the traditional money sources by the

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[21]*Ibid.*, 4 December 1920, p. 12.

[22]*Ibid.*, 2 December 1920, p. 10.

[23]U. S., *Congressional Record*, 66th Cong., 3rd Sess., H. R. 14480; S. 4560; H. J. Res. 397; H. J. Res. 400; H. J. Res. 401; H. Con. Res. 65; and H. Res. 623.

government, such firms were unable to obtain money through ordinary banking channels. After the armistice, the War Finance Corporation received authorization to grant loans to American firms which extended advances to foreign buyers of domestic farm products. The post-war role of the corporation contained a double purpose. The revival of cash-short Europe allegedly depended on the flow of American farm products to the war-devastated countries. And by advancing credits to European customers, the government hoped to avoid a sudden drop in American exports.[24] But Secretary Houston, anxious to get the government out of the banking business, suspended the major functions of the corporation on May 10, 1920.[25] The suspension of the corporation's export credit functions tended to weaken the ability of Europeans to pay for American commodities just about the time that the great deflation of 1920 got underway.[26]

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[24]Benedict, Farm Policies of the United States, pp. 178-179; Eugene Meyer, Jr., "Uncle Sam, Money Lender: A Message from the United States Government to the American People," The Independent, CII (April 17, 1920), pp. 82, 113-114, U. S. Congress, House, Eugene Meyer, Jr., "Financing Agriculture During the Emergency," Report of the National Agricultural Conference: House of Representatives Document 195, 67th Cong., 2d Sess., 1922, pp. 63-70.

[25]Houston, Eight Years, II, p. 108.

[26]Export statistics illustrated that although the appetite for American farm products remained undiminished, after the withdrawal of aid, Europeans were unwilling to buy at wartime prices. The result was a shrinkage in the value if not the volume of American exports. For example, the value of the 12,846,000 bushels of wheat exported in June of 1920 was $37,509,000 as compared with 25,235,000 bushels exported in June of 1921 for only $39,921,000. Altogether between 1919 and 1922 the value of farm exports dropped 50 per cent while the volume of agricultural exports actually increased slightly. Successful Farming, II (October, 1921), p. 8; U. S., Department of Agriculture, Yearbook 1935 (Washington, D. C., 1935), p. 633.

Caught with abundant crops and poor prices, farmers sought foreign markets. Farm lobbyists convinced the Senate Committee on Agriculture and Forestry to revive the War Finance Corporation (December 1920), "with the view of assisting in the financing of the exportation of agricultural products to foreign markets."[27] Section II of the resolution clearly demonstrated that the Corporation's rehabilitation involved the farmer's unhappiness with the Federal Reserve. The section directed the Federal Reserve Board to "grant liberal extensions of credit to the farmers of the country" and "at the lowest possible rate of interest."[28] According to the preamble the rationale for the resolution was based upon the inability of farmers to dispose of their commodities "at prices that will pay the cost of production." Renewal of the Corporation was also needed because "The banks of the country are unable to extend credit to the farmer in order that the farm products may be held until they can be sold in a fair and reasonable market."[29] The preamble and section II showed the conviction that the Federal Reserve System had somehow failed and that a new credit resource for farmers needed to be created.

Although the Federal Reserve Board and the Wilson Administration opposed the revival of the War Finance Corporation, there was

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[27]U. S., Congressional Record, S. J. Res. 212, 66th Cong., 3d Sess., December 7, 1920, p. 18.

[28]Ibid.

[29]Ibid.

never much doubt about Congress approving its rehabilitation.[30] If nothing else, it appeared a safe method of appeasing an aroused agricultural industry. Much of the congressional debate centered upon the administrative and financial technicalities of the corporation. Section II of the resolution directed the Federal Reserve to extend more liberal credits and brought sharp disagreement in the Senate--argument that reflected the divisive sectionalism produced by the Federal Reserve issue.[31]

Critics of section II claimed it was an ambiguous statement filled with imprecise phrases. Opposition senators disliked the notion that the Reserve System was somehow lax in performing its duties and thereby responsible for the price break in farm products. Senator Carter Glass warned that section II "proposes to put the country not upon a reserve banking system, but upon an investment banking system,"[32] because of the implication that the Reserve ought to finance the farmer while he held his crop for higher prices.

Defenders of the controversial section were frank in accepting some version of the "Crime of 1920" Federal Reserve Conspiracy thesis.

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[30] Cattlemen, VII (December 1920), p. 31. The cabinet was split over the revival issue, but the President firmly backed Houston in his opposition to the corporation. Houston described Wilson as becoming impatient with the topic at one cabinet meeting interrupting discussion of the subject by interjecting, "Let's talk about something more interesting. It is no use trying to reason with people into whose minds reason has never entered." Eight Years, II, p. 110.

[31] U. S., Congressional Record, 66th Cong., 3d Sess., December 10, 1920, pp. 157-170.

[32] Ibid., December 7, 1920, p. 24.

Senator Capper of Kansas asserted. "Lack of credit is choking agriculture to death," and further concluded that the farmer had been made the "goat" of the deflation process.[33] Capper's neighbor, Senator George Norris of Nebraska, argued that though "the two sections work together," the adoption of section II of the resolution was of more importance than the section reviving the War Finance Corporation. "If," he asserted, "the Federal Reserve section were adhered to, I have no doubt that most of these products will come up somewhat in value."[34] During the debate nearly a dozen Southern and Western senators urged adoption of section II of the resolution. These farm state representatives stressed the discriminatory nature of the deflation process against agriculture, the need for a more generous credit resource for farmers and the hostile management of that "Frankenstein which has destroyed us," (to quote Smith of South Carolina), the Federal Reserve System.[35]

The opposition, however, forced the Agriculture Committee to revise section II, clarifying the language, but more fundamentally, reducing the status of the resolution from that of a congressional directive to a mere expression of legislative opinion. George Norris produced the revised text. The compromise resolution read:

> That it is the opinion of Congress that the Federal Reserve Board should take such action as may be necessary to permit the member banks of the Federal Reserve System to grant liberal extensions of credit to the farmers of the country upon the security of the agricultural products not held by them by permitting the rediscounting of such notes of extension at a fair and reasonable rate of interest.[36]

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[33] Ibid., Dec. 10, 1920, p. 168. [34] Ibid., Dec. 13, 1920, p. 266.

[35] Ibid., Dec. 20, 1920, p. 556. [36] Ibid., Dec. 13, 1920, p. 257.

In a classic example of sectional voting the Senate accepted the Nebraskan's text, 47 to 16. Not a single majority vote came from north of the Mason-Dixon Line or east of Wisconsin. Cotton, cattle, and corn remained united to pass the entire resolution, which was then sent to the lower house.[37]

The resolution was assigned to the House Banking and Currency Committee and that committee struck, though not without some protest, both the preamble and section II from the document.[38] The Senate agreed to the diluted version of the resolution because many who wanted section II were, nevertheless, anxious for the War Finance Corporation to resume operations.[39] The mere revival of the War Finance Corporation was both a slap at the Federal Reserve and at the Wilson Administration who had opposed the measure. J. Thomas Heflin, for one, looked upon the success of the resolution as a distinct reprimand to the Reserve. "Do you know why we revived the War Finance Board?" he questioned. "We revived it purely and wholly because the Federal Reserve Board was not functioning properly."[40]

President Wilson, after consulting Secretary Houston, vetoed the bill, stating that it was time to restore the "usual business methods." His veto message laconically observed, "One sad thing about war is that it leaves behind it a legacy of economic ills and of

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[37] Ibid., p. 282. [38] Ibid., December 20, 1920, p. 550.

[39] "To Sell Europe Our Surplus on a Tick," Literary Digest, LXVIII (January 22, 1921), p. 15.

[40] U. S., Congressional Record, 67th Cong., 2d Sess., January 17, 1922, p. 1251.

suffering from which there is no escape."[41] Not willing to admit to such pessimism Congress quickly overrode the veto by a vote of 53 to 5 in the Senate and 250 to 66 in the House.[42] By ignoring the wishes of the President, the last session of the Sixty-sixth Congress revived both the War Finance Corporation and the hopes, if not the immediate fortunes, of the nation's farmers.

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[41] Ibid., 66th Cong., 3d Sess., January 3, 1921, p. 876.

[42] The Senate vote is Ibid., January 3, 1921, p. 878; the House vote is Ibid., January 4, 1921, p. 949.

CHAPTER III

FARMERS AND THE CAMPAIGN FOR EASY MONEY, 1921

During the interregnum before the inauguration of Warren G. Harding, agriculture sought a program to present to the incoming administration. Virtually all of the farm group proposals gave some priority to the need to reform the Federal Reserve System and to improve credit facilities for farmers. In December 1920, the American Farm Bureau Federation announced that "after three months of observation and study" it had formulated a four-point program for the revival of the industry. The primary recommendation was that Congress amend the Federal Reserve Act, "giving the Reserve Board power to classify loans and vary rates on the basis of essentiality." Presumably the amendment would have denied funds to speculators and released funds to basic producers--especially farmers. The remaining three recommendations stressed support for the War Finance Corporation, the granting of credits to the former Central Powers equal to a portion of the funds held by the alien property custodian, and revision of the Federal Farm Loan Act, making it possible to discount securities based on warehouse receipts through the Federal Reserve System.[1] Senator Arthur Capper presented another view of agricultural needs in his column of January 1921.

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[1]Alastair Montgomery, "Ferreted Facts for Farmers," Successful Farming, XXIX (December, 1920), p. 8.

> The Federal Reserve Act should be so amended that farmers may have equal benefit with business from this system. It should provide preferential rates for loans for productive purposes. It should provide for loans on warehouse receipts that farmers may market their products in an orderly way. It should provide personal credit for improvements, machinery, improved livestock, seed, etc.[2]

Although Wallaces' Farmer agreed with the four-point program of the Farm Bureau, it campaigned throughout the winter of 1920-21 for a lowering of the discount rate for, as one article asserted, "No other action will be as important in bringing to an end the financial storm through which we are now passing." In addition, the article observed that lower discount rates would not become a reality "unless the people demand them." "The practical thing for the farmers of the country to do," the magazine urged, "is to bring pressure to bear in every possible way to bring about such action."[3]

In April 1921, organized pressure was applied when delegates from sixteen farm groups, representing thirty states, arrived in Washington for ten days of conferences on the farm depression. During meetings with President Harding and his cabinet, such problems for the farm industry as freight rates, taxes, and credit were discussed. The farmer delegates seemed especially concerned about the relationship of the Federal Reserve System to their industry. Governor Harding of the Federal Reserve Board led many of the delegates in a round-table

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[2]Arthur Capper, "Killing the Engine," Capper's Weekly, XLVII (January 15, 1921), p. 1.

[3]Wallaces' Farmer, XLVI (February 4, 1921), p. 23; Carl N. Kennedy, "Rediscount Rates Must Come Down: Revival of Farm Business Waits on More Liberal Federal Reserve Policy," Wallaces' Farmer, LXVII (September 23, 1921), p. 3.

discussion on the topic of banking and agriculture. On April 22, a Farmers' Union contingent adopted a lengthy resolution which denied the existence of agricultural surpluses. Instead, it cited the following "principal direct causes" of the depression:

1. Unnecessary profiteering of middlemen, which includes speculative gambling.
2. The arbitrary restrictions of credit by the Federal Reserve Bank and the holding up of the Federal land banks by litigation.
3. The unreasonable rise in railroad rates.

"All of these causes," the report announced, "have been created by autocratic economic power exercised under unjust laws." The document illustrated the discrimination farmers received from the nation's bankers by alleging that, though farmers furnished about 50 per cent of the deposits of the country, they received only 14 per cent of the Reserve system's total discounts. "The remedy for this," the broadside announced, "is to amend the law and require the Federal Reserve to allot credit in proportion to resources, and deny all credit directly or indirectly to speculation." The resolution failed to say how the Federal Reserve System might effectively distinguish between speculative and nonspeculative loans.[4]

Aside from presenting the farm viewpoint to the new administraion, the April meetings should have put the "soft-tongued" crowd on notice that in the future they would have new competition for the favors of government. Farmers' Union President Charles Barrett, one

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[4]U. S., Congressional Record, 67th Cong., 1st Sess., June 23, 1921, p. 2963; Ibid., June 7, 1921, p. 2208; New York Times, 12 April 1921, p. 17; and 21 April 1921, p. 17; "Our Banking System and the Farmer," The Progressive Farmer, CXXXVI (May 21, 1921), p. 8.

of the principal organizers of the April lobbying efforts, gloatingly boasted of their achievements. "Many of you," he told the national convention of his organization in November 1921, "were at the great Farmers' Union meeting in Washington last April. It has been declared by many authorities to have been the most impressive gathering of producers ever assembled at the Nation's capital. To that meeting is properly traceable the beginning of the end of the David F. Houston--[W. P. G.] Harding policies." Barrett concluded that it was due to the agitation of organized agriculture that "the brakes were put on"--that the Federal Reserve was forced to halt its deflationary policy.[5] That Barrett's recollections were more than vacuous bombast was attested to, interestingly enough, by Governor Benjamin Strong of the New York Federal Reserve Bank. Reviewing the events of April, 1921, Strong, in a letter to a friend, wrote: "Enormous pressure has been felt in Washington from the agricultural sections of the country that measures be taken to ease up credit conditions. . . . They made an impressive showing and their complaints reached all classes of Congressmen and executive officers of the government right up to the President." Though Strong believed it would have been wiser to "wait a few weeks longer" before lowering the discount rate, he realistically admitted, "A bull-headed resistance in this situation is always liable to invite political retaliation. . . ."[6]

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[5]National Farmers' Educational and Cooperative Union of America, Minutes of the Seventeenth Annual Session, Topeka, Kansas, November 15, 1921, p. 10.

[6]Quoted in Lester V. Chandler, Benjamin Strong, Central Banker (Washington, D. C.: The Brookings Institution, 1958), p. 175.

Governor Strong was not the only official who recognized that organized agriculture had to come to town. Toward the end of April, President Harding directed the Federal Reserve Board to study the problem of deflating industrial values without also deflating the interests of agriculture. A New York Times correspondent reported that because of the directive from the President and the "determined pressure" of agricultural groups, the Federal Reserve Board discussed lowering the rediscount rate, readjusting railroad rates, and providing short-term credits for farmers based on warehouse receipts on stored farm commodities.[7]

In fact, during April the Republican administration became convinced that a lowering of the discount rate was in order. On March 29, Secretary Andrew Mellon announced that such a step would soon be necessary, and in early April President Harding informed reporters that, "The Federal Reserve Board has to lower rates generally to help the farmers."[8] Before the April conferences adjourned, the Federal Reserve Bank of Boston reduced its rate on commercial paper from seven to six per cent and the following month the Federal Reserve Bank of New York lowered its rate from 7 to 6½ per cent. Other reductions made during 1921 reduced the general rate to 4½ per cent by December of that year. In May, the administration, after a visit by a delegation of eastern

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[7]New York Times, 29 April 1921, p. 19.

[8]Milton Friedman and Anna Jacobson Schwartz, A Monetary History of the United States, 1867-1960 (Princeton: Princeton University Press, 1963), p. 243.

bankers, indicated that the financial men it had consulted were virtually unanimous in their belief that the Reserve Board "held the key" to recovery.[9] The implication that the discount rate ought to be lowered was welcomed by Wallaces' Farmer as proof that its continuing campaign against high rates was correct.[10] The conversion of the Federal Reserve System to an easier money policy seemed complete when Governor Harding issued a statement similar to the ill-fated section II of the War Finance Resolution. "The banks of the country," the governor announced in June, "are urged to bear in mind the needs of the livestock industry, and to extend as liberal accommodations as circumstances will permit."[11] Cotton growers, remembering his opposition to a similar statement for their industry in October 1920, must have been reminded that economic cycles do not always foster theoretical consistency.

The major political development of the special session of Congress convened in April 1921 concerned the birth of the farm bloc. Loyalty to special interests rather than to the common good was nothing new in American politics, but the frank and professional way in which farm representatives organized the nonpartisan farm clique during the first session of the sixty-seventh Congress surprised many political commentators.[12] The movement demonstrated a belief that government

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[9] New York Times, 28 May 1921, p. 1.

[10] Wallaces' Farmer, XLVI (June 10, 1921), p. 4.

[11] New York Times, 7 June 1921, p. 16.

[12] See Successful Farming, XX (October 1921), p. 7.

had failed to show serious concern for the troubled farmer and was a natural reaction to hard times. Senator Capper, one of the organizers of the bloc, explained the origins of the movement when he wrote: "This crystallizing of sentiment is the natural outgrowth of long-present, long-accumulating, evil economic conditions affecting the agricultural industry, which precipitated by war, have culminated in the present crisis." Using a favorite analogy, Capper concluded, "Agriculture is sick and the farm group in Congress has organized to administer the needed remedies."[13]

Henry C. Wallace, the incoming secretary of agriculture, initiated the formation of the farm bloc which, ironically, was destined to cause so much difficulty for the Harding Administration which he served. After the November elections, Wallace met with various agricultural groups in his home state of Iowa and urged that a nonpartisan farmer alliance be formed in the new Congress whose first priority would be "the solution of the country's agricultural problem."[14]

Gray Silver, lobbyist for the Farm Bureau, and Senator William Kenyon of Iowa presided over the initial meeting of the farm bloc, May 9, 1921. Meeting at the Washington office of the American Farm Bureau Federation, two representatives of Secretary Wallace, a dozen southern and western senators, and Farm Bureau officials discussed the possibilities of farm relief legislation in the sixty-seventh Congress.

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[13]"Farmers Party in Congress," Literary Digest, LXX (July 1921), p. 14.

[14]Donald L. Winters, Henry Cantwell Wallace As Secretary of Agriculture, 1921-1924 (Urbana: University of Illinois Press, 1970), p. 72.

The group divided into four committees to expedite the passage of favorable legislation. The committee to investigate "proposed changes in the Federal Reserve Act" was comprised of Ellison D. Smith (South Carolina), Frank Gooding (Idaho), and John Kendrick (Wyoming), all senators who had proven themselves articulate critics of the Board's deflation policies of 1920.[15]

"The invisible empire which now seems to be ruling us . . . the Ken-Cap-Klan," as Senator George Moses of New Hampshire disparingly referred to the William Kenyon-Arthur Capper led Senate farm bloc, confronted its first major challenge on July 5, 1921.[16] On that date, majority leader Henry C. Lodge introduced a resolution to adjourn the Senate until the House acted upon the administration's tariff and tax bills. Agricultural bloc members realized that such a recess would probably kill their hopes for securing any relief legislation and opposed the move. After receiving telegrams from the 1,500 country Farm Bureau organizations who were alerted to the administration's move through the efforts of bureau lobbyist Gray Silver, several Republicans joined the Democratic minority in resisting adjournment. The natural urge to escape the insufferable July heat led Senator Kenyon to admit he was "wondering why the Capitol was located in Washington anyway."[17]

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[15] New York Times, 11 May 1921, p. 19. The other committees established by the bloc were Transportation, Commodity, Financing and Miscellaneous Agricultural Bills. See Arthur Capper, The Agricultural Bloc (New York: Harcourt, Brace and Co., Inc., 1922), pp. 9-12.

[16] U. S., Congressional Record, 67th Cong., 1st Sess., October 19, 1921, p. 6471.

[17] Ibid., July 5, 1921, p. 3239.

Yet, as Senator La Follette observed, conditions in constituencies with farmer majorities might make it just as scorching for any senator who enjoyed a vacation without first passing legislation to alleviate the farm depression.[18] Furnifold Simmons of North Carolina stated the underlying question over adjournment was:

> Does the Republican Party propose to throw up its hands and say to the farmer, "We are unable to enact any legislation that will relieve you from the distressing situation in which you find yourselves" although that situation has been very largely brought about by . . . an agency of this Government--the Federal Reserve Board.[19]

The bloc's wishes prevailed, and the adjournment resolution failed, 24 to 27.[20]

The ability of the Senate to remain in session despite the oppressive heat and the Republican administration proved crucial to the cause of organized agriculture. In the six weeks after the decision of July 5, rural leaders successfully directed six major bills through Congress. Half of them sprang directly from the "Crime of 1920" thesis and emphasized credit as the primary instrument necessary to relieve agriculture. They were an amendment making Federal Farm Loan Bonds more marketable by raising their interest rate from 5 to 5½ per cent, a bill increasing the working capital of the Federal Farm Loan System by $25 million, and a bill granting the War Finance Corporation more extensive powers to loan money for a variety of agricultural purposes.[21]

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[18] Ibid., p. 3335. [19] Ibid., p. 3339.

[20] Ibid., p. 3341.

[21] John K. Barnes, "The Man Who Runs the Farm Bloc," World's Work, LXV (November, 1922), p. 51; Saloutos and Hicks, Twentieth Century Populism, p. 325.

George Norris, Nebraska's maverick Republican, as chairman of the Senate Committee on Agriculture and Forestry inadvertently proved to be the catalyst which forced the Harding Administration to back a farm relief measure of its own in July 1921. After ten days of hearings on the emergency conditions facing the farmer, Norris' committee endorsed a bill calling for the creation of a government-owned export corporation capitalized at one billion dollars. The new public corporation would buy domestic surpluses and sell them on generous terms of credit to foreign buyers. The Norris bill also called for the export corporation to have free use of the merchant shipping built by the government during the war. To Norris the plan promised restoration of a mutually beneficial equilibrium between the half of the world that was starving and the half that was suffering, ironically enough, from surpluses.[22] In addition to reducing surpluses at home and providing relief abroad, Norris hoped the corporation would enable the farmer to liquify his frozen assets--his commodities. "It is an absolute impossibility," the Nebraskan observed, "in large sections covering more than several states for a man to borrow a cent at the banks."[23] The first affirmative speaker for the Norris bill, J. Thomas Heflin, pursued the same thought, stressing the need for the export corporation because the "crazy curtailment of credits" had produced "slaughterhouse conditions" for farmers.[24]

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[22]George W. Norris with J. E. Lawrence, Fighting Liberal: The Autobiography of George W. Norris (New York: The Macmillan Co., 1945), pp. 278-285.

[23]U. S., Congressional Record, 67th Cong., 1st Sess., July 19, 1921, pp. 4043-44.

[24]Ibid., July 18, 1921, p. 3977.

Norris acknowledged that his was an extraordinary proposal: "this is an emergency measure," he explained, "I would not under normal conditions favor this bill."[25] The Harding Administration, especially Henry C. Wallace and Andrew Mellon, looked upon the measure as a radical innovation--not called for even in the cheerless circumstances of depression. They objected that the bill "put government in business" and constituted an inexcusable misuse of government.[26] After hearing warnings that unless some alternative to the export corporation bill was substituted the bill might receive Congressional approval, the Harding Government announced it favored yet another revival of that Lazarus of early twenties farm legislation--the War Finance Corporation.

The rejuvenation of the corporation over Wilson's veto in December was limited and tentative--awaiting the new administration's review of the agency. Six months after its December restoration the corporation had planned financing for only $63 million worth of commodities, a rather small percentage of the approximately $7 billion of American goods exported during the year. In the six-month interval after its resurrection, the corporation financed no wheat and only about 2 per cent of all cotton exports. Its miniscule impact prompted Senator Gilbert Hitchcock to liken the corporation's effect on American exports to "a mere fly bite."[27] Nevertheless the Harding Administration

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[25]_Ibid._, July 19, 1921, p. 4043.

[26]For Wallace's opposition to the Norris bill see Winters, _Henry Cantwell Wallace_, pp. 83-84.

[27]U. S., _Congressional Record_, 67th Cong., 1st Sess., August 3, 1921, pp. 4574-81.

proposed to resuscitate and substitute the War Finance Corporation for the Norris plan.

Essentially the administration's Kellogg bill proposed limited assistance in the marketing and financing of farm crops. Specifically the Kellogg bill empowered the War Finance Corporation to lend money to a large variety of producers and handlers of agricultural commodities and livestock including individuals, businesses, cooperatives, banks, and trust companies. The bill authorized the War Finance Corporation to buy agricultural paper from these same concerns (provided it was properly secured) up to a total of $1 billion. It was hoped that the loans and enhanced liquidity of farm paper would have a salutary effect on the industry.[28] The Norris plan and the Kellogg bill differed in several ways. The Norris bill promised direct relief, creating an export corporation to pay cash to farmers for their crops and livestock for sale abroad. Norris also hoped to stimulate purchases through extending generous credit terms to foreign buyers. The Kellogg bill proposed indirect relief, limiting the role of the War Finance Corporation to that of a credit agency which hoped to promote a more orderly marketing of farm products. The bill limited loans to domestic borrowers. The real choice between the Norris and the Kellogg bills was one of scale--a decision between "big and little action."[29]

Reviewing the struggle of farmers during the post-war years, the _New Republic_ concluded in 1924 that "The farmer as a whole is not

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[28] _Ibid._, July 26, 1921, p. 4289.

[29] Shideler, _Farm Crisis_, p. 159.

yet a class. He is only a crowd."[30] The debate over the Norris and Kellogg bills demonstrated the sagacity of the magazine's observation. Once again the historic difficulty of uniting the divergent elements within agriculture behind any specific policy was underscored. In the fight over the Norris and Kellogg bills, farmer partisans displayed a zest for intramural brawling which left the farm bloc increasingly splintered and impotent.[31]

The strategy of the administration against the Norris bill hinged on fragmentizing the farm bloc. The administration especially courted cotton senators. As the debate heated, the War Finance Corporation fortuitously announced new loans for cotton exports and President Harding initiated flattering discussions with leading southern senators. These overtures met success. The Senate Agricultural and Forestry Committee reversed its earlier decision and voted ten to two to replace its chairman's export corporation proposal with the Kellogg bill. The cotton bloc, perhaps hesitant at the frankly experimental nature of the Norris approach, was attracted to the apparent generous credit features of the administration-sponsored bill. Senator Furnifold M. Simmons, one of the leading deserters of the Norris position, argued that "the export problem was not by any means the most important problem" facing farmers. "The most important problem today," he affirmed, "is the financing of the domestic requirements of agriculture."

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[30]"The Farmer is Waking Up," New Republic, XXXVIII (April 16, 1924), p. 198.

[31]For statistical proof of the lack of farm bloc cohesiveness see Patrick G. O'Brien, "A Reexamination of the Senate Farm Bloc, 1921-1933," Agricultural History, XLVII (July, 1973), pp. 248-263.

Simmons explained that "vaults have been full of what the Reserve Board has declared to be frozen credits, excluded from the Federal Reserve Banks by reason of the fact that they were lent upon what the Board called speculative ventures. . . ." The principal advantage of the Kellogg bill, Simmons maintained, was that "these securities would all be made available for the purpose of borrowing money from the Finance Corporation."[32]

The following comment from a southern farm paper, the Progressive Farmer, further illustrated the tenacious hopes many agriculturalists placed in the War Finance Corporation:

> The significant facts of its [the War Finance Corporation] operation are that it will serve as a check upon the extreme deflation as practiced by the Federal Reserve Board, and will open an outlet through which farmers benefit by gradually marketing the farm products they are now holding.[33]

Cotton senators and others who had taken the lead in exposing the "Crime of 1920" were still more intent upon correcting the credit shortage than in facing the problem of that wretched abundance--the crop surplus.

Senator Kellogg, with the aid of parliamentary trickery and the connivance of Vice President Calvin Coolidge, introduced the administration bill on July 26, 1921. The tactics surprised and embittered Norris and resulted in acerbic and personal polemics between the

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[32]U. S., Congressional Record, 67th Cong., 1st Sess., July 28, 1921, pp. 4345-46.

[33]Progressive Farmer, XXXVI (January 15, 1924), p. 8. Another southern journal to support the WFC primarily because of its credit features was The Cattleman. See VIII (May, 1922), p. 32, and VIII (April, 1922), p. 31.

two senators. Norris, "the Gentle Knight," in a furious three-day address disparaged, among other things, Kellogg's farm credentials. The Nebraskan scathingly observed that his adversary "was always doing something for the farmer, being a real farmer himself--a scientific farmer, with a large library of farming books." Among the volumes one might find in Kellogg's collection, Norris needled, were "a morocco-bound volume entitled 'The Relation of Golf to Chicken Raising' and 'Hoyle on Other Games.'"[34] As for the administration bill, the Nebraskan conceded, "It is better than nothing. . . . But this new bill, with a halo of regularity about it, provides nothing for the producer." Instead, "the bill deals with bankers, with middlemen, and with trust companies, and confers all its favors upon them."[35] His opponents reciprocated the lack of gentlemanliness, and the fight left him exhausted, ill, and defeated as Congress adopted the administration substitute. Norris later recalled, "The defeat of that legislation was the greatest single disappointment of all of my public service in Congress."[36]

The revived War Finance Corporation, before its liquidation in 1929, lent $296,997,962.47 for agricultural purposes. The money made little impact on agricultural exports during the decade. The corporation did rediscount the paper of country banks which had proved

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[34]U. S., Congressional Record, 67th Cong., 1st Sess., July 28, 1921, p. 4378.

[35]Ibid., p. 4376.

[36]Norris, Fighting Liberal, p. 284. Of course the farm bloc soon incorporated the Agricultural Emergency Act of 1921 into its catalog of achievements. See Weekly News Letter, I (September 1, 1921).

temporarily uncollectible because of the general economic slump.[37] By the end of 1921 the corporation had created an auxiliary banking system composed of thirty-three agencies scattered around the agricultural regions of the country with the responsibility of approving the securities offered for discount. The cost to the farmer-borrower, 8 per cent interest, and the fact that loans were granted only upon sound collateral convinced many that the War Finance Corporation was not very helpful. The Fargo Courier News, reflecting the views of its Non-Partisan League sponsors, insisted that the corporation was "a gold brick for farmers," commenting that it was "controlled by big business" and "permitted gamblers to rob both American producers and European consumers."[38] Nevertheless, the reinforcement of weaker banks through the corporation's rediscount facilities helped some country banks remain solvent and undoubtedly enabled, though indirectly, many farmers

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[37]War Finance Director Eugene Meyer, Jr., testified that from January 4, 1921, to April 29, 1922, the corporation had lent an aggregate of $341,697,000. Of that sum, $63,784,000 represented advances to cooperative marketing associations, $268,947,000 went to banking and financing institutions, while only $8,966,000 was lent to exporters. Meyer explained that about 80 per cent of the corporation's loans were granted to state bank and trust companies--usually rural ones. The director concluded: "This indicates the need of a rediscount facility for the country's banks." He further indicated that one reason such a facility was needed was that only 1,595 of the 11,000 state banks had jointed the Federal Reserve System. U. S., Congress, House, Committee on Banking and Currency, War Finance Corporation: Hearings, 67th Cong., 2d Sess., May 3, 1922, pp. 3-15.

[38]Literary Digest, LII (September 17, 1921), p. 13. The Grange also protested against the high cost of War Finance Corporation loans. See Journal of Proceedings of the National Grange of the Patrons of Husbandry, Fifty-fifth Annual Session, Portland, Oregon, 1921.

to escape mortgage foreclosure.[39]

In April 1921, the Washington Farmers' Conferences petitioned Congress for the appointment of a joint commission of inquiry to determine "what is wrong with agriculture" and to recommend corrective legislation to combat "discovered and established evils."[40] In response to that request, the Joint Commission of Agricultural Inquiry, composed of five members from each house, began hearings in August under the authority of a Senate concurrent resolution.[41] Representative Sydney Anderson of Minnesota chaired the Commission's proceedings.

Determined to get the view of the dirt farmer before the commission, the American Farm Bureau conducted hearings in more than 500 counties during mid-July. The hearings were mock inquests into the depression with the local agricultural county agents generally serving as the prosecuting attorneys. Farmer testimonies frequently cited the Federal Reserve Board and its policy of deflation as an accomplice in the "Crime of 1920." The tabulated results of the trials were sent to the joint commission for its perusal for, as one farmer urged, "Let us hurry up and set down just what we farmers have been saying and thinking before someone comes along and argues us out of it."[42]

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[39]House, War Finance Corporation, 67th Cong., 2d Sess., May 3, 1922; Benedict, Farm Policies of the United States, pp. 179, 183; Eugene Meyer, Jr., "Lending Two Million a Day," Country Gentleman, LXXXVII (April 8, 1922), pp. 12, 24; Saloutos and Hicks, Twentieth Century Populism, pp. 330-31; Shideler, Farm Crises, pp. 195-97.

[40]New York Times, 21 April 1921, p. 17.

[41]U. S., Congressional Record, 67th Cong., 1st Sess., June 7, 1921.

[42]H. R. O'Brien, "Farmer Woes," Saturday Evening Post, XIX (October 22, 1921), p. 21; Weekly News Letter, I (July 7, 1921).

Among the first witnesses to appear before the joint commission was former Comptroller John Skelton Williams. In two days of inflammatory testimony Williams developed the "Crime of 1920" thesis, claiming there was "abundant ground for complaints of discrimination by farmers generally" against the Federal Reserve System. As Williams presented his views before an audience divided between senators and representatives allied with the farm bloc, and Federal Reserve officials and their associates, warm shouts of "lies" and other disclaimers penetrated the discussion. During one such verbal interchange the New York Times reported: "Governor Harding charged across the committee room, swinging his fist, but was halted by struggling associates just in front of his adversary [Williams] who remained cool, but was rising for the threatened encounter."[43] The commission was as divided as the audience over Williams' accusations against the Reserve. When Chairman Anderson sustained a point of order raised against the inclosure in the printed record of articles and speeches in which Williams took issue with the Reserve, an appeal on the ruling split the commission five to four in favor of printing the Williams material.[44]

More valuable to the commission than the oratorical joustings were the statistical compilations and studies of a group of economists headed by Wilfred I. King of the University of Pennsylvania. Based on

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[43]New York Times, 3 August 1921, p. 21; and 4 August 1921, p. 1.

[44]Those voting to print the Williams data were Senators Pat Harrison, Miss., Joseph T. Robinson, Ark., and Congressmen Ten Eyck, New York, Frank H. Funk, Ill., and Hatton Summers, Texas. Those opposed were Senators Arthur Capper, Kan., Charles McNary, Oregon, and Congressmen Sydney Anderson, Minn., and Ogden Mills, New York.

their research and on the hearings of the commission, four copious reports were issued which provided a definitive examination of the status of the agricultural industry.[45] The second report entitled Credit, issued in January 1922, contained a history and evaluation of the relationship between the Federal Reserve System and the agricultural depression. The study exonerated the Reserve from charges of conspiracy or intentional discrimination against the farmer, though the report stated difficulties experienced by the agricultural industry "are due in a measure to the credit restrictions and limitations of the past eighteen months, and in part to the fact that the banking machinery of the country is not adequately adapted to the farmer's requirements."[46] In summary the report accused the reserve of committing "mistakes of judgment . . . which the clearer judgment of retrospect would change."[47]

Specifically the commission described reserve officials as sluggish and inexpert in developing a discount policy in both 1919 and 1921. Reviewing events of 1919, the commission accused the Treasury Department of cajoling the Reserve System into maintain ng an artificially low discount rate until November 1919, in order to expedite the sale of Victory Bonds and to ease the refinancing of the government debt.

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[45]Issued from December 1921 to March 1923, the reports were: Part 1, The Agricultural Crisis and Its Causes; Part 2, Credit; Part 3, Transportation; and Part 4, Distribution and Marketing.

[46]U. S., Congress, House, Joint Commission of Agricultural Inquiry: House Reports, Vol. 3, Part 2, Credit, 67th Cong., 1st Sess., 1921, p. 7.

[47]Ibid., p. 15.

Instead of raising the discount rate earlier in 1919, the Federal Reserve Board relied on moral suasion, imploring banks to discriminate between essential and speculative loans. By midyear the economy, suffering from inflation, speculation, and imprudence, demonstrated the ineffectiveness of a policy based on voluntary restraint. The Reserve, however, continued its policy of inaction. The Joint Commission of Agricultural Inquiry's report on credit specifically condemned the Reserve's laissez-faire position. The report noted, "It is the opinion of the Commission that a policy of restriction of loans and discounts by advances in the discount rates of the Federal Reserve Banks could and should have been adopted in the early part of 1919." Had such a policy been adopted, "Much of the expansion, speculation and extravagance which characterized the postwar period could have been avoided."[48]

The Commission also accused the Reserve of miscalculating when it delayed lowering discount rates until April 1921, almost a year after farm prices began to fall. The Commission believed that both bank reserves and deflation were sufficient to allow for an earlier reduction in the discount rate.[49] In short, the Reserve compounded

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[48]Ibid., p. 12. Not all agriculturists were impressed with such a conclusion. Representative Otis Wingo, Arkansas, the ranking Democrat on the House Banking and Currency Committee, complained of the Joint Commission's report: "In other words, the farmer was skinned a year too late." U. S., Congressional Record, 67th Cong., 2d Sess., May 23, 1922, p. 7503.

[49]Report of the Joint Commission of Agricultural Inquiry, Part 2, Credit, p. 13.

its mistakes. After failing to boost rates once inflation became obvious in 1919, the Reserve reversed its error through its sluggish response to the deflationary trough of 1920-1921.[50]

Representative Ogden L. Mills dissented from the majority report and in a minority opinion defended the Federal Reserve from the commission's accusations. Hoover's future secretary of the treasury wrote that he disagreed with the assumption that had the Federal Reserve System lowered the discount rate late in 1920, deflation would have been ameliorated. He argued that the Federal Reserve System, through its credit facilities (including discount rates), was impotent to affect the level of prices. He felt that the inability of the Reserve to assert firmer control over the economic milieu of 1920 was due to two developments: (1) that only about a third (9,480 of 28,210) of the

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[50]The experience of 1920-1921 represented the first attempt by the Reserve to manipulate the discount rate under normal circumstances. Prior to the war the system was engaged in organizational work. From the outbreak of war and through most of 1919 the Reserve was subordinate to the demands of the treasury. The 1920-1921 experience was the first attempt by the Reserve to handle the discount rate free of abnormal conditions and some clumsiness marked the board's efforts. Their confused and contradictory pronouncements regarding the efficacy of the discount rate as a means of credit control were documented by Anna Youngman who marveled at the "catholicity" of the Reserve's incompatible policy statements issued during 1919-1920. See Anna Youngman, "The Efficacy of Changes in the Discount Rates of the Federal Reserve Banks," American Economic Review, XI (September 1921), pp. 469-70.

Closely associated with the freshman qualities of inexperience exhibited by the Reserve was the fact that the system suffered from structural defects. Paul M. Warburg, who helped the Wilson government create the Reserve, complained that Congress, out of fear of Wall Street domination, established a system that was too fragmented. Warburg argued that decentralization proved detrimental to both the agricultural reserve districts and to a Federal Reserve Board that was "not entirely master in its own house." Warburg, The Federal Reserve, II, pp. 761-63.

nation's banks belonged to the Reserve System; (2) that the Reserve's discount rates were continuously below market rates during 1920. "For instance," Mills asked, "what efficacy can the decrease in the rediscount rate of a Federal Reserve Bank from 7 to 6 per cent have on a western or a southwestern bank charging 8, 10, or 12 per cent?" To Mills the obvious conclusion was that since the situation was beyond the Reserve's ability to control, it [the Reserve] should not be held accountable for the depression of 1920. He summarized:

> Finally, while it can not be conclusively proved that credit stringency was not an initial contributing factor to price deflation, there is no evidence to show that it was. By this I do not mean to state that once prices started to drop, it was not the cause of much hardship and, in many cases of increased losses. Quite the contrary, it was. But I do not believe that increased interest rates and contracting credit were the primary causes of the sharp price deflation which characterized the second half of the year 1920.[51]

The Commission's inability to agree on the relationship of the Federal Reserve to the farmer and deflation foreshadowed an encompassing controversy that embroiled both contemporaries and historians of the farm crisis. Wallaces' Farmer, the champion of lower discount rates, in response to the Part 1 of the Joint Commission's report,

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[51]Report of the Joint Commission of Agricultural Inquiry, "Minority Report of Ogden L. Mills," Part 2, Credit, pp. 158-59.

Perhaps the most frequently cited study of the postwar agricultural crises and the Federal Reserve is Arthur S. Link, "The Federal Reserve Policy and the Agricultural Depression of 1920-1921," Agricultural History, XX (July 1946), pp. 166-75. In his essay Professor Link fully embraced the views of Ogden L. Mills, the Joint Commission's lone dissenter. "Ogden L. Mills . . . in my opinion," wrote Link, "offers a fairly conclusive answer to the Joint Commission's inuendo that there was a connection between increased discount rates and falling farm prices." Ibid., p. 171.

editorialized that the document "is full of information pointing to the need for further reduction of discount rates."[52] William P. G. Harding, governor of the Reserve Board, discovered that taken as a whole the findings of the Commission were "a distinct disappointment to its [the Reserve's] critics," though the governor believed that some of the opinions contained in the document were "concessions to bias."[53] The reports of the Joint Commission of Inquiry, though an immense source of information, changed few minds regarding the role of the Federal Reserve during the agricultural crisis. Because of this enigma, the Commission and its findings, like most everything else connected with the "Crime of 1920," became an object of controversy.[54]

Among farm spokesmen, Charles S. Barrett, president of the Farmers' Union and the initial promoter of an investigation into the status of agricultural affairs, vociferously criticized both the

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[52]Kennedy, "Rediscount Rates Must Come Down," Wallaces' Farmer, XLVI (September, 1921), p. 1.

[53]William Proctor Gould Harding, The Formative Period of the Federal Reserve System (Boston and New York: Houghton Mifflin Co., 1925), pp. 220-21.

[54]The "Crime of 1920" has been revisited by several scholars. Relevant works not specifically referred to elsewhere in this chapter are George W. Dowrie, "Did Deflation Ruin the Farmer and Would Inflation Save Him?," Journal of Farm Economics, VII (January, 1925), pp. 67-79. Professor Dowrie answered, no to both questions. The diverse views of contemporary academic economists regarding the use of the discount rates are reflected in H. G. Moulton, "Banking Policy and the Price Situation," American Economic Review, Proceedings Supplement, X (March 1920), pp. 156-175; O. M. W. Sprague, "The Discount Policy of the Federal Reserve Banks," American Economic Review, XI (March 1921), pp. 16-29; and Youngman, "The Efficacy of Changes in the Discount Rates." Books of a more general nature are W. R. Burgess, The Reserve Banks and the Money Market (New York: Harper, 1927); C. O. Hardy, Credit Policies of the Federal Reserve System (Washington: The Brookings Institution, 1932); Winfield W. Riefler, Money Rates and Money Markets in the United States (New York: Harper, 1930).

conclusions and the procedures of the Joint Commission of Agricultural Inquiry. "I had hoped," he wrote, "that the Commission, which had been given so wonderful an opportunity for constructive service, would be able to tell the country who and what had robbed and plundered both the producers and the consumers." Instead, Barrett reported that Chairman Sydney Anderson, "a one-time progressive," initially proposed elimination of public hearings and restriction of the commission's investigation to a search for data by economists and other specialists. "The idea of searching in the mouldy, moth-eaten files of the departments and bureaus of Government for truth" was repugnant to Barrett and at his insistence Anderson reversed his decision and public hearings were held. Besides Anderson, the Farmers' Union leader criticized Commission panelist Ogden L. Mills. Barrett complained that Mills, director of banks, trusts, and railway companies, was loyal to Wall Street and not to the farmer. "If Mr. Mills," Barrett asserted, "had been retained counsel of the interests attacked by witnesses for the National Farmers' Union, he could not have more vigorously, energetically, and earnestly defended them." Barrett also disliked the reception the Farmers' Union star witness, John Skelton Williams, received from the commission. Barrett complained further: "To say that the former Comptroller of the Treasury was treated much as a pettifogging lawyer would treat a witness in a chicken stealing case, is to keep well within the facts."[55]

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[55]Barrett, Uncle Reuben, pp. 128-30, 131, 134. A frequent defense of those who sought to discredit the Joint Commission's criticisms of the Federal Reserve asserted that the panel was staffed with members already prejudiced against the system. The charge has been repeated by Arthur S. Link, "Federal Reserve Policy," pp. 166-75. Link described the Commission as "allegedly heavily 'loaded' against the

While some, like Barrett, hinted that the investigation of the Joint Commission of Agricultural Inquiry was a whitewash, those who helped formulate Reserve policy during the agricultural crisis were naturally inclined to defend the system and to attack its detractors. The leading congressional defender of the Reserve was Carter Glass, who had served as secretary of the treasury until January 1920.[56] The Virginian characterized the unwarranted attacks upon the Reserve as "Ignorance run mad!" In 1922, he delivered his classic defense of the Reserve System, observing that "in all this fanfare of prejudice and vituperation, there has not been one authenticated fact or figure to

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Federal Reserve System (Ibid., p. 171). Later in his essay, without providing any documentation to sustain the point, Link accepted the allegation as fact by characterizing the Commission "unfriendly" towards the Reserve (Ibid., p. 175). As to the criticisms of the Commission against the sluggish use of the discount rate by the Reserve, Link comments: "One wonders whether political considerations or economic fact dictated this conclusion" (Ibid., p. 171). No doubt the Commission was favorable to agriculture and had a genuine interest in its revival, but the five to four vote regarding the printing of the Williams documents and the criticisms of Barrett against the Commission suggest that at least those two gentlemen believed the Commission was not biased enough in its treatment of the Reserve! Furthermore, as the testimony before the Commission of Governor Harding of the Reserve Board, Governor Benjamin Strong of the Federal Reserve Bank of New York, and Governor J. Z. Miller, Jr., of the Federal Reserve Bank of Kansas City, illustrated that the Reserve officials were courteously given every opportunity to present their case in exhaustive detail. Finally, as a thankful Governor Harding acknowledged, the panel refused to pursue the more emotional charges against the Reserve of corruption, extravagant salaries and misuse of building funds. Harding, Formative Period, p. 220.

[56]David F. Houston, who became secretary of the treasury in January 1920, also attacked "the ignorant part of the community, including many demagogues in and out of public life" who had blamed the treasury and the Reserve for the deflation of agricultural prices. His basic argument was that of Glass, i.e., the Reserve had followed an expansive policy during 1920 and in no way had discriminated against the farmer. Eight Years, pp. 105-07.

justify the assertion that the Federal Reserve banking system was appreciably delinquent or in any degree oppressive."[57] According to Glass, an analysis of the paper held under discount for member banks of the system as of January 1, 1920, and January 1, 1921, and a comparison of the volume of Federal Reserve notes in circulation for the same period proved that there was no contraction of credit during the months of the agricultural price break. On New Year's Day, 1920, the total amount of rediscounted paper held by the twelve regional banks was $2,215,305,000. The former secretary noted, "Instead of deflating their credits, as has been charged, these banks as of January 1, 1921, had increased their accommodations to member banks in the aggregate of $2,687,393,000, an expansion of $472,088,000 in the twelve-month period." During the same interval, the senator explained, the regional Reserve banks expanded notes in circulation by $328,403,000. The coauthor of the Federal Reserve Act concluded:

> Thus it will be noted that so far from the truth is the accusation that the Federal Reserve Board "tumbled" the prices of farm products by a cruel policy of deflation, it is shown that during the whole period of falling prices, the Federal Reserve Banks were supplying largely increased credit facilities and issuing a constantly increasing volume of Federal Reserve notes.[58]

Glass not only believed that the Reserve followed an expansive credit policy during 1920, but he contended that the extension of credit

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[57]U. S., Congressional Record, 67th Cong., 2d Sess., January 16 and 17, 1922, pp. 1235-50. Ironically, Glass had been the recipient of similar accusations, for as secretary of the treasury he had opposed the raising of the discount rate as late as November and December 1919, which lead Governor Strong of the New York Reserve Bank to view the Virginian as the representative of unsound money. Chandler, Benjamin Strong, p. 163.

[58]U. S., Congressional Record, 67th Cong., 2d Sess., January 16, 1922, p. 1239.

occurred primarily in agricultural districts rather than in industrial regions. Loans of Federal Reserve Banks on agricultural and livestock paper increased from $56,905,000 in January 1920, to $246,940,000 in December. These figures represented loans on notes having six months maturity. In addition, Glass quoted the Federal Reserve Board as maintaining that thousands of farmers were beneficiaries of ninety-day commercial loans so that the aggregate loans to farmers during 1920 was at least $1,980,063,000 as against $729,266,000 during 1919. "The truth in one sentence," Glass told the Senate, "is that falling prices caused the deflation of credits and currency such as we have witnessed since January of last year, and not deflation of credits the fall in prices."[59]

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[59]If credit was as abundant as the Glass data (provided him by Governor Harding) seemed to indicate, why were there so many complaints against the credit policies of the Reserve? Ignorance, prejudice, and the necessity for a scapegoat, no doubt, played a major role in the protests, but also of significance was the fact that the Reserve, the Glass statistics notwithstanding, pursued a policy of contraction, not expansion, during the crisis period. The Reserve had applied pressure on banks to liquidate and most Reserve officials believed and announced that some deflation was not only necessary but desirable. (See Chandler, Benjamin Strong, pp. 181-82, and Chapter IV, below.) In spite of the alleged expansionist policy of the Reserve, it was difficult to get farm loans. J. Thomas Heflin, in his own prosaic style, spoke to the point when he began his rebuttal to the Glass apology by describing credit conditions in the South and West, stating, "When I heard him [Glass] say in his speech that the Federal Reserve Board's policy had saved agriculture . . . I said, God grant us deliverance from such a plan of salvation."

Of course, the Glass statistics do not present an entirely accurate portrait of credit conditions during the depression era. Murray R. Benedict, for example, has discovered deflationary implications even within the data used by Glass (and later by Arthur Link) in their defense of the Reserve. Benedict wrote: "The increase of Reserve bank credit based on agricultural paper reflects the pressure on the banks in the rural areas. Faced with declining demand deposits and slow collections on their outstanding notes, they turned to the

Reserve defenders found yet another renunciation against the allegations of agriculturalists in the fact that the depression was worldwide--so pervasive that it obviously could not be blamed on the central bank decisions of one country. Paul M. Warburg, Reserve Board member until 1918 and an original promoter of central banking in the United States, told one audience: "Any unbiased student knows that world phenomena were at play, whose power extended far beyond those of central banks in general and the Federal Reserve Board in particular."[60] Farmers in Canada, Great Britain, and Japan were suffering, as well as the agriculturalists of the United States. The World War had world repercussions. The cycle was a familiar one, originating with a scarcity of goods for the duration of the fighting, then an orgy of buying and speculation after the armistice, and finally the "day of reckoning,"

Reserve banks for additional funds, while, at the same time, they made every effort to bring about a reduction in the loans due them from farmers. Thus, while the reserve banks were increasing their lendings, the total loans of all national banks declined from $13,544 million in 1920 to $11,466 million in 1921." Farm Policies of the United States, p. 186. Economists Friedman and Schwartz observed that "from the last week in October 1920, to the end of 1921, weekly reporting member banks cut their loans (unadjusted for seasonal) by one-sixth." A Monetary History of the United States, p. 235. Furthermore, they conclude that the total stock of money fell 8 per cent from September 1920 to July 1921. Paul McCracken, past chairman of President Nixon's Council of Economic Advisors, referred to both the decline in the monetary stock and the diminished Government spending during the post-World War I era when he summarized: "The remarkable thing is not that there was a 1921 recession, but that our economic system survived this massive fiscal and monetary whipsaw." Time, CIXIV (December 19, 1969), p. 68.

[60]Paul Warburg, The Federal Reserve System: Its Origins and Growth, Vol. II (New York: Macmillan Co., 1930), p. 757.

when governments were forced to halt the promiscuous issuance of currency and easy credit to escape bankruptcy.[61]

The German-born Warburg, a frequent world traveler, perceived perhaps more than others how closely interlocked and interdependent the economic problems of all countries were. In 1922, he presciently observed, "England and we have the most vital interest in seeing economic chaos avoided in Germany." To him the Farm Bloc was anathema, even to the interests of the American farmer. "It is nothing less than a national disaster," he stated, "that the birth of this combination of proponents of provincialism and class interests should have occurred just at the time when in our national policy a world point of view is required."[62] Unfortunately for Warburg, not only the farmer, but most of the world was entering an era of economic nationalism.[63]

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[61]Friedman and Schwartz in their Monetary History of the United States disagreed with those who advanced the worldwide depression explanation for the contraction of 1920-1921. The two economists contended that America was so economically dominant during the postwar era that it initiated world movements as well as responded to them. After reviewing the relationships between Federal Reserve discount rates and international gold shipments, the authors concluded that the contraction of 1920-1921 was initiated "primarily" in the United States and that the indictment of Federal Reserve Policy contained in the majority Report of the Joint Commission of Agricultural Inquiry was correct (Ibid., pp. 228,360).

[62]Warburg, The Federal Reserve, Vol. II, p. 755.

[63]Ibid., p. 765. It could be argued that the farmer, because he depended upon world markets, was ahead of other interests in pushing the world view.

The paramount accusation of the Joint Commission of Agricultural Inquiry that Reserve discount policy during the postwar crisis was maladroit received a mixed critique from officials of the Reserve. Governor Harding denied that the board could have raised rates earlier in 1919 in spite of Treasury objections. "The board felt that it was its duty to cooperate with Treasury authorities," he protested. Had the Reserve ignored the needs of the government, he observed, "the Board would have heard from the Overman Act"--the act which granted the President extraordinary powers for the execution of war.[64]

Another Reserve insider, E. A. Goldenweiser, director of the Reserve Board's Division of Research and Statistics, agreed with Harding that the necessities of Treasury financing prevented the Reserve from raising rates earlier in 1919. Yet with words reminiscent of those of the Commission, the economist concluded:

> It is probably true, looked at in retrospect, that the System, not having raised the rates adequately in 1919, would have done better by not taking drastic action in the spring of 1920, when the speculative bubble was ready to burst. Also at some of the Federal Reserve Banks over-enthusiastic officers brought unnecessarily heavy pressure on borrowers. It appears further that, after the rates were raised in the spring of 1920, they could and should have been reduced more rapidly than was done, which was not until almost a year after the advance.[65]

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[64]Harding, Formative Period of the Federal Reserve, p. 223.

[65]E. A. Goldenweiser, American Monetary Policy (New York: McGraw-Hill Book Co., Inc., 1951), pp. 136-37. Assistant Secretary of the Treasury Russell C. Leffingwell presented views that were similar to Harding's, see "Discount Policy of the Federal Reserve Banks," American Economic Review, Vol. 11 (March 1921), pp. 30-36. Friedman and Schwartz, A Monetary History of the United States, p. 228, strongly contradicted the notion that the Reserve had no choice but to go along with treasury decisions in 1919. Both Harold L. Reed, The Development of the Federal Reserve Policy (Boston: Houghton Mifflin Co., 1922), pp. 298-301, and Clark Warburton, "Monetary Control Under the

Several conclusions may be drawn from the discord that encompassed the "Crime of 1920" thesis, the Joint Commission of Agricultural Inquiry's subsequent investigation and the rejoinders of the Reserve's defenders. There was no villainous Reserve plot to bankrupt the farmer or anyone else. Nor was the Reserve responsible for the recession of 1920 as some post-war readjustment seemed inevitable. But the Reserve's response to the crises of 1920-1921 was awkward and American monetary management during the era displayed a dubious quality. Due to inexperience, structural defects, limited vision and Treasury interference, the Reserve failed to adequately promote economic stability. In his excellent study of the early years of the Federal Reserve, Professor Lester V. Chandler posed the question:

> How are we to explain the deflationary policies of the Federal Reserve during the 1920-1921 depression? They must seem incredible to anyone who accepts the theory that the primary function of a central bank is to use its powers continuously and positively to promote maximum employment, the highest sustainable rate of economic growth, and stable price levels. But in 1920-1921 the Federal Reserve had not yet developed this concept of its function. . . . Any such suggestion would have been considered heretical.[66]

During the farm crisis of 1920-1921 the more intelligent farmer critics of the Reserve's deflation policy were not only heretics, but in some

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Federal Reserve Act," Political Science Quarterly, LXI (December 1946), pp. 505-534, discuss the unhappy consequences of the board's surrender to the Treasury in 1919. Professor Reed concluded that the Federal Reserve Board failed "to perceive the correct relation between expanding credits and rising prices" during the inflationary spiral of 1919 (Ibid., p. 300). If that was true, the issue of subservience probably was irrelevant, for the board would have been relatively slow to apply anti-inflationary policies even without the limitations imposed by the Treasury.

[66]Chandler, Benjamin Strong, p. 183.

instances prophets, as they demanded that the Reserve fulfill the role Chandler described. Was not the essence of the Joint Commission's indictment that the Reserve had done little to promote stability--to diminish either inflation or deflation? It was, after all, a provocative if premature complaint.

CHAPTER IV

THE BATTLE FOR ACCOMMODATION: FARMERS AND MONETARY POLICY, 1922-1923

Low prices and the contraction of credit after the spring of 1920 prompted angry farmers to demand not only the end of deflationary monetary policies but also greater farm influence in future national monetary decisions. Farmers' Union President Charles S. Barrett expressed the general farm temper when he wrote, "If the farmers will take what really belongs to them . . . policies will be formulated by, not for them. Uncle Reuben must seize a place on the Ship of State. But he will not be given. He must take."[1] During 1922, farmers made deflation and lack of control over their own financial circumstances a major election issue. They demanded that the banking leadership of the country be made more responsive to their needs. As a part of the latter campaign they clamored for the appointment of a farmer representative on the Federal Reserve Board and lobbied to block the reappointment of Reserve Board Governor William P. G. Harding. Finally, their protest resulted in legislative accomplishment--the Agricultural Credits Act of 1923.

Described as a "Hell-Raiser's Year," a "cyclone," a "revolt," the elections of 1922 found voters disgruntled and angry. As in past

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[1]Charles S. Barrett, Uncle Reuben in Washington (Washington, D. C.: The Farmers' National Publishing Company, Inc., 1923), p. 16.

eras of low commodity prices the Midwest displayed a political contentiousness that felled standpatter politicians of both parties.[2] Among the major victories of the farmer-labor coalitions were the re-election of Senator Robert M. La Follette of Wisconsin who carried with him his candidate for governor, John J. Blaine. La Follette, who had opposed American entrance into World War I and had voted against the draft law, made a surprising recovery which placed his followers in solid control of Wisconsin state government. In North Dakota, Non-Partisan leaguer Lynn J. Frazier, recalled as governor the preceding year, rebounded to defeat the veteran senator, Porter J. McCumber. Burton K. Wheeler of Montana, described by one frightened editor as "the reddest Bolshevik that ever came out of Russia to destroy the people of his own state," won a senate seat over Congressman Carl W. Riddick.[3] In Minnesota, Senator Frank B. Kellogg, a nationally respected lawyer and former "trust-buster" in the Roosevelt Administration was defeated by Henrik Shipstead, a dentist. Shipstead, a self-styled "calamity howler," campaigned on the third party Farmer-Labor ticket and used much of his oratory protesting corporation control of government. Farmers no doubt took notice that while Kellogg toured the state in his Pierce Arrow,

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[2]For information of the election of 1922, see: "The Revolt of November 7," Current Opinion, LXXIII (December 1922), p. 702; "Why the Voter Voted Discontent," Literary Digest, LXXV (November 25, 1922), pp. 8-9; Chester H. Rowell, "Why the Middle West Went Radical," World's Work, XLVI (June 1923), pp. 265-74; Rowell, "La Follette, Shipstead and the Embattled Farmers," World's Work, XLVI (August 1923), pp. 408-15; James H. Shideler, Farm Crisis 1919-1923 (Berkeley and Los Angeles: University of California Press, 1957), pp. 217-42.

[3]H. M. Hedges, "The Liberal Sweep in the West," The Nation, CXV (November 22, 1922), p. 543.

Shipstead drove a Ford. In Iowa the "cowhide radical," Smith W. Brookhart, easily led a field of candidates anxious to succeed William S. Kenyon as senator. In Nebraska, Robert B. Howell, "radical" Republican, and "Brother Charles" Bryan, "radical" Democrat, were elected senator and governor respectively. Kansas elected a "dirt farmer" Democrat, Jonathan M. Davis, as governor. Significant farmer-labor-progressive votes were also cast in South Dakota, Idaho, Washington, Colorado, Pennsylvania, and Michigan. Reviewing the election results the liberal journal The Nation gloated, "The liberal block . . . is here and it is in the saddle. . . . Wherever the progressive or farmer-labor movement appeared in strength, there it was victorious."[4]

The political upheaval of 1922 was based on campaigns which stressed bad economic conditions among farmers and their causes.[5] In addition to the ever-present matrix of local political issues, the major themes insurgents recounted included opposition to the Esch-Cummins Act and the Ship Subsidy bill, demands for lower property taxes, and open dissatisfaction with the Federal Reserve System, which was held responsible for the deflation of prices and especially for its discrimination against the farmer. Farmers opposed the Esch Cummins Act and the Ship Subsidy bill because they seemed to promise government guarantees to everyone but the farmer. The anti-Federal Reserve theme,

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[4]"Election by Disgust," The Nation, CXV (November 22, 1922), p. 540.

[5]For example, one scholar discovered a "positive correlation between mortgage indebtedness and votes for Brookhart" in Iowa. See Jerry Alvin Neprash, The Brookhart Campaigns in Iowa, 1920-1926: A Study in the Motivation of Political Attitudes (New York: Columbia University Press, 1932), p. 88.

replete with the "Crime of 1920" thesis, also proved a dominant issue leading the New York Times to complain against the revival of the old issues dating back to Jackson and the bank and Bryan and free silver. "Now the ancient cries are heard again," the Times lamented. "It is the West against the East, the farmer against the banker."[6]

The anti-Reserve System motif was especially pronounced in the campaigns of a Midwestern quartet of new senators propelled into office in 1922. Smith W. Brookhart of Iowa, Robert Beecher Howell of Nebraska, Henrik Shipstead of Minnesota and Lynn J. Frazier joined incumbent critics of the Reserve System such as La Follette and Heflin in frequent roastings of the System before campaign audiences.[7] Brookhart, whom the New York Times described as "almost as bitter as Heflin" on the issue, denounced Wall Street control of the Reserve System and suggested that an ideal Federal Reserve Board would be comprised of three representatives of farmers, two representatives of labor, two representatives of little business and one representative of big business.[8] Not to be outdone, Shipstead advocated apportioning the board on the basis of the sources of bank deposits. Such a formula, he asserted, would give the board three farmer members, three labor members, two small business members and but one representative from big business. "This would prevent," he argued, "manipulation of the

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[6]New York Times, 19 January 1922.

[7]La Follette had voted against the original Federal Reserve Act in 1913 and remained suspicious of the institution to his death. See Belle Case La Follette and Fola La Follette, Robert M. La Follette, Vol. I (New York: Macmillan and Co., 1953), pp. 486-87.

[8]New York Times, 26 November 1922.

currency volume in favor of big business and against farmers and labor."[9] The "Crime of 1920" emphasis, combined with low commodity prices, contributed significantly to the progressive victories of 1922.

Concurrent with the farmers' success in the 1922 electoral wars, rural America engaged in a campaign to reform the banking system. Fundamentally, farmers demanded an end to deflationary monetary policies. As a repercussion of that demand, they insisted that the banking interests must be made more responsive to rural America. Farmers believed they were victims of deflation, at least in part, because they were unrepresented in the Federal Reserve System.

The demand to participate in formulating monetary and banking policy partially originated in the historically suspicious attitude of farmer-debtors toward their creditors. Correspondent Mark Sullivan toured the corn belt in 1922 and observed:

> It is the man on the farm against the man in the town. . . . The farmer has come to be suspicious even of his local grocer and dry goods merchant. The farmer thinks that they, and everybody else who is in the business of selling things to the farmer, has some kind of advantage over him, some kind of invisible government in which the farmer is exploited by virtue of some kind of economic freemasonry. . . .[10]

Complaining of the exploitive commercial relationships between the East and the Midwest, Minnesota's Henrik Shipstead remarked, "New York sits back and looks upon the rest of the world much as Great Britain looks upon India."[11]

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[9] Ibid., 6 December 1922. Shipstead's views on the Reserve System are also presented in Robert Littrell, "Henrik Shipstead," New Republic, XXXIII (January 3, 1923), pp. 146-47.

[10] Mark Sullivan, "The Corn Belt From a Car Window," World's Work, XLV (November, 1922), p. 219.

[11] Littrell, "Henrik Shipstead," p. 147.

The banking profession, never popular during periods of depression and panic, was a special target for approbrium. Kindred feelings during the Great Depression of the Thirties produced Woodie Guthrie's savagely satirical ballad, "Jolly Banker," and made folk heroes of such bank marauders as Pretty Boy Floyd. Reflecting a similar regional prejudice, cattleman George Washington Armstrong described the bankers of 1922 in the following unflattering précis:

> No greater calamity can befall a people than to have their prosperity under the control of a bunch of aged bankers, as we now have, with power to expand and contract it. It will usually be contracted. . . . Age sees prosperity only as a short-lived mushroom existence that is due for a speedy fall, and it thinks the sooner it occurs the better. To age, enterprise is speculation and a Ford car rank extravagance.[12]

Perhaps Senator Edwin F. Ladd of South Dakota provided the most whimsical expression of anti-banker iconoclasm when he proposed that postmasters act as federal bankers, eliminating bankers altogether from the administration of the Federal Reserve System. Amused at the suggestion, the Fargo Forum asked the senator if he also objected to engineers because they held a monopoly on bridge building or to senators because they ran the senate![13]

An irrational parochialism was not the only motive underlying the clamor for expanded farmer influence on banking policies. The inept banking system of the Twenties which produced an unconscionably

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[12]George Washington Armstrong, The Crime of '20: The Unpardonable Sin of Frenzied Finance (Dallas: Press of the Venny Company, 1922), p. 34.

[13]New York Times, 12 September 1921.

large number of bank failures did not deserve plaudits.[14] Bankers had contributed their share to the incendiary rhetoric frequently heard during the years of the farm crisis. One banker indiscreetly announced that "after election his bank proposed to call in farm paper and to see to it that wheat and other commodities came down to where they belong." He added that "the farmer needed to be shown his place once more almost as badly as did labor."[15] Other bankers angered farmers with palliatives which were obviously incongruous with the reality of hard times. W. R. Heath of the Chicago Federal Reserve Bank injudiciously asserted before one farm gathering that "what Iowa needs is less fault-finding and more hard work. The situation will straighten out only when we get down to business, work harder, and talk less."[16] During the economic crisis farmer and banker indulged in reciprocal misunderstanding which only diverted attention from more substantive issues.

Farmers also commonly complained about the irritating eagerness with which bankers had welcomed the deflation of 1920. The unrestrained elation with which some banking leaders greeted the initial collapse of farm prices exasperated farmers. At the famous May 18, 1920 gathering of Reserve officials, Robert Wardrop of the Cleveland Reserve Bank

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[14] John Kenneth Galbraith, The Great Crash: 1929 (Boston: Houghton Mifflin Co., 1954), pp. 184-85.

[15] Quoted in John D. Hicks, Rehearsal for Disaster (Gainesville: University of Florida Press, 1961), pp. 75-76.

[16] Wallaces' Farmer, CXLVI (June 17, 1921), p. 6. See similar remarks by Governor W. P. G. Harding before the American Farm Bureau Federation National Convention reported in New York Times, 2 December 1921.

reflected the attitude of many bankers when he said, "I think a reasonable depression in business will be a good thing for the country." He added, "I really think we would do better if we could get down to a lower basis, a different basis, and then from that we can work up again."[17] At the same meeting, however, Governor Harding had warned: "We should be careful . . . not to overdo this matter of liquidation. . . ." Farmers remained convinced that America's banking leadership invited and approved the postwar price declines.[18]

Rural spokesmen were generally correct in their appraisal of banker disenchantment with the price levels of 1919 and early 1920. By the beginning of 1920, most bankers, economists, and reserve officials shared the notion that both the price level and bank credit were too expansive and that some retrenchment was necessary. The fact that the call for deflation was so devastatingly answered embittered farmers and persuaded them that those who had asked for such a policy were responsible for its existence. Expressions like those at the May 18 conference convinced farmers that deflation was a premeditated and purposive policy. To many farmers, banker and deflation represented cause and effect.[19]

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[17]U. S., Congressional Record, 67th Cong., 4th Sess., February 28, 1923, p. 4862.

[18]Also see Representative Philip Swing's condemnation of the Reserve's postwar "deflationary program." Ibid., 67th Cong., 2d Sess., May 23, 1922, p. 7517.

[19]Link acknowledged that the statements of reserve and governmental officials to the effect that commodity prices were too high and ought to be lowered was one of four major grievances farmers held against the reserve system. See Arthur S. Link, "The Federal Reserve Policy and the Agricultural Depression of 1920-1921," Agricultural History, XX (July 1946), pp. 166-175.

If farmers were suspicious of the banking profession in general, they reserved special anger for the Federal Reserve Board--holding it accountable for implementing the "Crime of 1920." In July 1921, Senator Tom Watson of Georgia introduced a resolution requesting, as he later reiterated, "the President to remove these robbers [board members] from office."[20] The resolution directed the President to replace the Reserve Board with "competent and honest" men who were not bankers nor "mere assiduous servitors of the Morgan interests, the Standard Oil interests, the packer interests, the steel trust interests, or any other legalized marauders upon the common people of the Republic."[21] Watson, though often eccentric, was not alone in his belief that the Federal Reserve suffered from mismanagement as well as Wall Street provincialism. Farmers believed the system was too elitist to be interested in the general economic welfare--especially the welfare of agriculturalists! On the day of President Harding's inauguration, Wallaces' Farmer editorialized:

> If the Federal Reserve Board is to be allowed to continue to exercise such a powerful influence over the business of the country, then the members of the board should not be bankers alone but representatives of the various industries, the most intelligent representatives who can be found in the entire nation. There should be one or two farmers on the board, because farm prices are more easily influenced by the action of the Federal Reserve than prices of anything else.[22]

Senator Arthur Capper expanded on the same theme when he informed his readers that:

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[20]U. S., Congressional Record, 67th Cong., 1st Sess., October 24, 1921, p. 6668.

[21]New York Times, 20 July 1921.

[22]Wallaces' Farmer, XLVI (March 4, 1921), p. 4.

> Under a Federal Reserve Board largely dominated by financial rather than commercial interests, we have experienced during our period of credit starvation an injurious apportionment of credit rations. It is to avoid a repetition sometime in the future of another such unfortunate experience that I have introduced the bill to add to the membership of the Federal Reserve Board, the Secretary of Agriculture and the Secretary of Commerce, in order that general business and agriculture shall hereafter be sure of a proper representation on the board. Had there been such a board at the head of the Federal Reserve system, it is inconceivable that we should have arrived at our present critical situation and still be praying for relief.[23]

By December 1921, the suggestion that an agricultural representative be appointed to the Federal Reserve Board had officially been made part of a seven-point program advocated by the farm bloc in Congress.[24]

Debate on a bill to force Presidential appointment to the Federal Reserve Board of "a person experienced in and whose business and occupation is farming" began in the Senate on December 19, 1921.[25] The measure enjoyed the support of the farm bloc and the floor leadership of Democrats Ellison D. Smith and J. Thomas Heflin and also of Republicans William S. Kenyon and Arthur Capper. While the farmer-member bill provided additional evidence of the pervasiveness of the "Crime of 1920" thesis, it also proved the determination of the farm bloc to expand farm influence in future national monetary decisions.

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[23] Capper's Weekly, XLVIII (June 4, 1921), p. 1.

[24] Successful Farming, XX (December 1921), p. 8. The National Agricultural Conference convened by the Harding Administration in January 1922, also resolved that agriculture be granted greater "recognition . . . in the selection of the Federal Reserve Board and directors of Federal Reserve banks." "The National Agricultural Conference," Journal of Farm Economics, IV (January 1922), p. 61.

[25] U. S., Congressional Record, 67th Cong., 2d Sess., December 19, 1921, p. 505.

The Harding Administration responded to the farmer-member proposal with ambiguity. During a January conference with Senators Kenyon, Capper, and Frank B. Kellogg of Minnesota, the President stated that he opposed any bill which would make it mandatory for him to name a representative of any special class to a position on the board.[26] When it became apparent that the Smith bill would pass the Senate, Harding invited the farm bloc leadership to the White House on January 16 for negotiations. The conference resulted in agreement on a compromise bill that altered the Federal Reserve Act in several respects. The original act established a seven-man board which included the Secretary of the Treasury and the Comptroller as ex-officio members. The 1913 act stipulated that "at least two" of the five appointive members "shall be persons experienced in banking and finance." In addition, the Glass-Owen Act stated that in selecting personnel for the board, the President should have "due regard to a fair representation of the different commercial, industrial, and geographic divisions of the country." During the conference with Harding, farm senators agreed to drop the categorical demand contained in the Smith bill that the President appoint a farmer to the board. The conferees agreed to liberalize the occupational qualifications an appointee might possess to include experience in either finance, commerce, industry, or agriculture. The negotiators agreed to repeal the requirement that at least two members be bankers, and the farm senators secured the President's pledge to support a proposal to enlarge the board from seven to

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[26]New York Times, 6 January 1922.

eight members. President Harding promised that he would appoint an acceptable farmer representative to the resulting vacancy on the board. The compromise, labeled the Kellogg bill after its Senate sponsor, Frank B. Kellogg of Minnesota, gave each side what it wanted most. The President retained, undiminished, his prerogatives of appointment, and the bloc obtained the promise from the Chief Executive that if the bill passed Congress, a genuine "dirt farmer" would be appointed to the Reserve Board.[27]

The capitulation of the President to the wishes of the farm bloc followed a month of Senate debate on the farmer-member measure. The question of the proposed farmer invasion of the Federal Reserve Board was but a vehicle to debate the more central issue, which was the performance of the Reserve System during the recent crisis. Both sides argued strenuously, and both sides exaggerated. The System was characterized, depending upon the sympathies of the speaker, as "savior" or "destroyer," as "victim" or "criminal." During the course of the oratory, Senator Glass delivered a two-day address that many considered the classic apology for the Reserve System. Farm bloc members Heflin, Capper, and Smith replied, welcoming the debate as an occasion to mount a spirited fusillade against the Reserve System for its alleged responsibility for the farm depression. As the arguments developed, all of the nuances that comprised the "Crime of 1920" conspiracy theory were vigorously revived, resulting in a fresh burst of anti-Reserve System rhetoric.

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[27]Ibid., 17 January 1922; Robert K. Murray, The Harding Era: Warren G. Harding and His Administration (Minneapolis: University of Minnesota Press, 1969), pp. 215-16; U. S., Congressional Record, 67th Cong., 3rd Sess., January 16, 1922, pp. 1183-89.

Advocates of the Kellogg bill advanced the notion that the Federal Reserve Board committed "amazing waste and extravagance" in the areas of building construction and salaries. Former Comptroller John Skelton Williams had reported "four officers of one Reserve bank are allowed to draw salaries exceeding the aggregate salaries paid the President of the United States, the Vice President, the Chief Justice and General Pershing." Aside from plush salaries and unlimited expense accounts, Williams criticized the $26 million "temple of banking" planned for New York City, replete with auditoriums, a gymnasium, club quarters, restaurants, and art "that will make Solomon's temple of old seem quite cheap by comparison."[28]

During debate over the Kellogg bill Senator Lee Overman of North Carolina expanded on the Williams allegations. The North Carolinian quoted government documents to prove that Federal Reserve salaries had increased $7 million between 1919 and 1921, and that the system had spent more than $36 million for building facilities during a similar period. Senator Overman also disliked the New York Reserve bank facilities with their luxurious appointments, including bronze doors valued at $25,000. The senator maintained that the Reserve Act "was the greatest piece of constructive legislation passed in a hundred years," but he expressed fears that "if they go and continue spending money in the way they have done in the past they will lose the confidence of the people." The way to rebuild confidence in the board was

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[28] U. S., Congressional Record, 67th Cong., 1st Sess., July 20, 1921, LXI, 4090.

clear to the North Carolinian. "I think," he asserted, "we ought to have a farmer on that board, in the hope that he may be able to bring about certain much-needed reforms."[29]

Several colleagues welcomed Overman's assault on the spending practices of the Reserve System. Senator William J. Harris of Georgia thought the issue of the System's extravagance important enough to attach an amendment to the farmer-member bill requiring the consent of Congress on all future Reserve System building projects exceeding $250,000.[30] Besides opposing the alleged promiscuous construction program of the System, several senators expressed disapproval of the unique privilege of the Federal Reserve to establish its own salary rates free from congressional scrutiny. Rural senators also complained of the impropriety of the System's flush spending practices at a time when the remainder of the country experienced a depression encouraged in part by the Federal Reserve's own discount policies.[31] George Norris spoke the position of many critics of the System when he proclaimed:

> In my judgment they are paying extravagant and morally sinful salaries to a great many of their employees. They propose to build an office building with money belonging to the people of the United States, contributed by those who are compelled to borrow money out of the banks. They are now going to use that money to build a marble palace."[32]

The alleged excesses even seemed to embarrass Virginia's Carter Glass. "I absolutely agree . . . no building operations ought to be undertaken

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[29]*Ibid.*, 67th Cong., 2d Sess., December 19, 1921, p. 505-12.

[30]*Ibid.*, January 17, 1922, p. 1269.

[31]*Ibid.*, January 16, 1922, p. 1185. [32]*Ibid.*, p. 1198.

at this time by any branch of the Government. . . ."[33] Sentiment was sufficient to pass, by a vote of 40 to 33, the Harris Amendment granting congress watchdog powers over future major Reserve construction contracts.

Farm bloc senators were unabashed in their advocacy of the farmer-member proposal. William Kenyon asserted that the fundamental purpose of the amendment was to put "one representative of agriculture" on the board and "there is no use putting the cards under the table."[34] Senator Smith of South Carolina acknowledged that the proposal was "extremely simple." He wrote, "Everyone knows that we are trying . . . to laymanize this Board."[35]

Arthur Capper stated the reason farm senators were convinced the board needed laicization:

> I think if we had had on the Board a big, broad, fair-minded farmer, a man who had an intimate knowledge of conditions as they actually existed in the West, the farmers and stockmen of the Middle West would not have been compelled to dump their grain and livestock on the market a year ago at the most critical time and compelled to take ruinous prices.[36]

Expressions of such frank partisanship invited the charge that farm spokesmen were merely seeking class-interest legislation. But the sting of the accusation was muted when the complaint emanated from

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[33]Ibid. Glass hastened to explain, however, "that a bank cannot be conducted by hod carriers; you cannot even run it with a Congressman in charge. . . . You have to get expert banking and technical skill." Ibid., January 19, 1922, p. 1243. Also see William P. G. Harding, The Formative Period of the Federal Reserve System (Boston and New York: Houghton Mifflin Co., 1925), p. 550.

[34]Ibid., January 17, 1922, pp. 1266-1267.

[35]Ibid., December 19, 1921, p. 521.

[36]Ibid., December 20, 1921, p. 586.

those closely aligned with business or manufacturing interests. Rural senators also based their rebuttal on the doctrines of agricultural fundamentalism. Typical of such retorts is the following Arthur Capper pro-Kellogg bill editorial:

> Please understand that I am making no special plea for our farmers; I am not asking a single favor for them. I am as much opposed to "class legislation" as the stiffest-backed anti-paternalistic American who ever lived. It is in no sense class legislation that I am advocating. I would put the argument on far higher ground--the very highest--national welfare. Take care of the farm and the farm will take care of the nation.[37]

George Norris was one of the few farm spokesmen who viewed the farmer-member issue with total skepticism. "To my mind," he informed his colleagues, "the bill has been given an importance vastly beyond what it deserves." Though he admitted he supported those who contended the Federal Reserve had mistreated agriculture, he believed the Kellogg bill failed to redress farm grievances against the System. He predicted that farmers "will get fooled again." Norris asserted, "It is said we will have a farmer on the Federal Reserve Board and after that everybody in agriculture will prosper." The Nebraskan maintained, however, that the President could fulfill the terms of the law and still "select a farmer who is more reactionary than any Wall Street banker that ever lived" and he doubted the power of one member to effect substantial change on an eight-member board.[38]

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[37]Capper's Weekly, XLVIII (January 21, 1922), p. 1.

[38]U. S., Congressional Record, 67th Cong., 2d Sess., January 16, 1922, p. 1195. A similar ambivalent attitude toward the measure was expressed in the House of Representatives by Representative Henry Steagall. See Ibid., May 23, 1921, p. 505.

But the Senate failed to share Norris' cynicism and passed the Kellogg bill 64 to 10, sending the measure to the House of Representatives.[39] A front-page story in Capper's Weekly carried the gloating announcement: "The agricultural bloc has scored another triumph in the [Senate] passage of the bill putting a farmer on the Federal Reserve Board. Look out for another explosion in the East."[40] It was a curious jab from a magazine that denied any connection between the bill and class interests.

Louis T. McFadden, chairman of the House Banking and Currency Committee, publicly denounced the Harding-farm bloc compromise of January 18 and announced: "I am going to fight the bill all the way; I don't believe in such a measure."[41] During the McFadden Committee hearings on the Kellogg bill, March 15 and 16, administration spokesmen added more confusion to the situation when they offered contradictory testimony. Andrew Mellon, Secretary of the Treasury, opposed enlargement of the board because he thought a larger membership would make for less administrative efficiency. Mellon also disliked the idea of class representation on the board and testified that he was convinced that the Reserve System had dealt with agriculture in a fair and nondiscriminatory manner.[42] Secretary of Agriculture Henry C. Wallace spoke in favor of the bill, explaining that he viewed the Federal Reserve Board as a policy-making body as well as an administrative board.

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[39] Ibid., January 17, 1922, p. 1269; New York Times, 18 January 1922.

[40] Capper's Weekly, XLVIII (January 21, 1922), p. 1.

[41] New York Times, 19 January 1922.

[42] Ibid., 16 March 1922.

Wallace believed that because the policies of the board could have a "direct influence upon prices and upon business in general," the board should represent a "cross-section of our industrial life, including agriculture." The Secretary commented: "It is highly desirable that the membership should be sufficiently large to bring into the councils of that board a direct personal knowledge of the business and industries in which the people in the various sections of this country are engaged." As for the qualifications of the man who should represent farmers on the board, Wallace observed that it was not necessary that he be a farmer, but that he ought to be "agriculturally minded"--a man "who understands and is appreciative of agricultural conditions, and at the same time has real training as a banker."[43]

Secretary Wallace's argument failed to sway the House Banking and Currency Committee as it struck the authorization to enlarge the board from the Kellogg bill. The action nullified the intent of the farmer sponsors of the bill. Without expansion, there would be no room for a farmer appointee because no vacancy existed on the board. (The committee also eliminated the section which provided for congressional scrutiny over major Reserve building projects.) Even with the deletions, McFadden could not bring himself to vote for the bill, which, nevertheless, escaped with his committee's approval by a 13-8 vote.[44]

Debate on the floor of the House of Representatives, then, centered on whether to accept the stronger Senate version or the McFadden

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[43]U. S., Congressional Record, 67th Cong., 2d Sess., May 23, 1922, p. 7513.

[44]New York Times, 7 April 1922.

Committee's amendment altering the farmer-member measure. During these arguments over the Kellogg bill in the lower house, all the implications of the "Crime of 1920" thesis, examined earlier in the Senate, were rehashed. About the only novel accusation against the Federal Reserve which emerged from the House debate was presented by Representative Carl Vinson of Georgia. He charged that the Federal Reserve Bank of Atlanta had attempted to force the state banks in its district to join the System or to go out of business. The method of warfare against the nonmember state banks was reminiscent of Nicholas Biddle's stratagems against the wildcat banks of the Jacksonian period. The Atlanta Reserve Bank intentionally accumulated a large number of checks drawn on the nonmember bank before presenting them en masse for clearance. The policy forced nonmember banks to carry large amounts of vault cash which lessened their lending power and their profit. The United States Supreme Court stopped the practice and reprimanded the Reserve System for sanctioning this sort of warfare against "relatively feeble competitors."[45] The war against state banks, Vinson contended, decreased the availability of credit to farmers at a crucial time, provided another example of injury to the rural community by the Reserve System and

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[45]See American Bank and Trust Co. v. Federal Reserve Bank of Atlanta, Georgia, et al., 265 U. S. 350, 41 Sup. Ct. Rep. 499 (May 16, 1921), 983. Also at issue was the System's practice of par clearance of checks. Customarily rural banks had charged a service fee called exchange when checks were presented for payment by out-of-town correspondents. The exchange included handling fees and a small profit which provided an important income for small banks. The Reserve banks were forbidden by the Glass-Owen Act to make such charges and refused the country banks' demand for exchange fees.

evidenced the need for farmer representation on the Federal Reserve Board.[46]

There were several incongruities reflected in the House roll-call votes on the farmer-member bill. The voting demonstrated an alliance between President Harding and House Democrats versus the majority of House Republicans. Observers also witnessed the curious spectacle of Democrats promoting a bill that proposed to give a Republican President additional patronage. Representative Otis Wingo, the ranking Democratic member of the House Banking and Currency Committee, led the floor fight which demanded rejection of the committee's amendments to the Senate measure. The vote for rejection was approved 19 to 90.

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[46]U. S., Congressional Record, 67th Cong., 2d Sess., February 9, 1922, pp. 2356-57. After the decision of May 16, 1921, the Atlanta Federal Reserve Bank, in an amended answer, disclaimed any ulterior purpose in its method of collecting checks and agreed to modify its clearance procedures so as to refrain from creating undue stress on smaller banks. After reviewing the evidence a second time, the court discovered that "the evidence was insufficient to sustain any charge that the Federal Reserve Bank was exercising its rights so as to injure or oppress plaintiff banks." Yet the court acknowledged the sheer efficiency of the Reserve System's clearinghouse facilities provided another blow to the profits of rural banks. The new facilities so shortened the time required to collect checks that the traditional benefit of using the depositors' money during the period the check was circulating was almost eliminated. The refusal to pay exchange rates and the efficiency of the new system were but two ways the Reserve System reduced the profits of rural bankers. Thus the rural bank, like the family farm, was disadvantaged by powerful economic and social forces called "progress." Justice Brandeis observed, "Country banks are not entitled to protection against legitimate competition. Their loss here shown is of the kind which business concerns are commonly subjected to when improved facilities are introduced by others, or a more efficient competitor enters the field." See American Bank and Trust Co. v. Federal Reserve Bank of Atlanta, Georgia, 262, U. S., 643, 43 Sup. Ct. Rep. 649 (June 11, 1923), 1153.

The House by voice vote then approved the Senate version of the Kellogg bill which President Harding signed on June 5, 1922.[47]

President Harding kept the bargain he had made with the farm bloc and appointed Milo D. Campbell of Coldwater, Michigan, to the vacancy the Kellogg Amendment created on the board. Campbell, described by the White House as a genuine "dirt farmer," was president of the National Milk Producers' Association as well as an experienced state legislator. The farm bloc supported the appointment as did a few Eastern newspapers. The New York Globe editorialized: "The course of the Reserve Board may not be changed because of the presence of a dirt farmer upon it, but at least the Board will understand in advance the opinions of the agricultural interests and perhaps the farmers will also understand the reasons behind the action of the Board. This will be general gain."[48]

The Senate confirmed Campbell's appointment on January 24, 1923. Unfortunately, the 71-year-old Michigan native suffered a cerebral hemorrhage while playing golf and died less than a week after taking the oath of office.[49]

On May 5, President Harding, at the urging of Secretary of Agriculture Henry C. Wallace, appointed Edward H. Cunningham as the "dirt farmer" member of the Reserve Board. Wallace described

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[47]U. S., Congressional Record, 67th Cong., 2d Sess., May 23, 1922, p. 7521; New York Times, 24 May 1922; Ibid., 6 June 1922.

[48]The Literary Digest, January 17, 1923, p. 16

[49]New York Times, 13 January 1912; Ibid., 26 January 1923; Ibid., 23 March 1923.

Cunningham, formerly speaker of the Iowa House of Representatives and president of the Iowa Farm Bureau, as "eminently satisfactory to the farmers of the West," and yet having the confidence of the farm leaders in Washington as well.[50]

The farmer battle to reconstitute the Federal Reserve Board was but half won with the adoption of the Kellogg Amendment and the appointment of a farmer member to the board. During the summer of 1922 the farm bloc began an intense and sometimes vitriolic campaign to block the reappointment of Federal Reserve Board Governor William P. Gould Harding. Harding's term expired on August 9, but the President delayed the announcement of his choice for the position until January 1923. Encouraged by their success in the farmer-member matter and given the opportunity by the President's indecisiveness, the farm bloc mounted a "dump Harding" movement. William P. G. Harding, an Alabamian, was viewed as a traitor not only to his region, but also as the ring leader of the "Crime of 1920" conspiracy. The odium reserved for the governor led to the use of acrimony as farm spokesmen enthusiastically christened him William "Poison Gas" Harding for the unsporting way they believed he had made war on the farmer.[51] J. Thomas Heflin, a fellow Alabamian, came to the forefront of those who found the banker personally obnoxious.

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[50] New York Times, 17 April 1923; 6 May 1923; 27 May 1923; and 11 December 1923.

[51] Milton Friedman and Anna Jacobson Schwartz, A Monetary History of the United States, 1867-1960 (Princeton: Princeton University Press, 1963), p. 229; Lester V. Chandler, Benjamin Strong: Central Banker (Washington, D. C.: The Brookings Institution, 1958), pp. 43-44; Harding, The Formative Period, pp. 246-47; New York Times, 4 August 1922; U. S., Congressional Record, 67th Cong., 2d Sess., August 27, 1922, p. 1182.

Heflin often devoted two to three Senate speeches a week condemning the Reserve and Governor Harding in particular.[52] At the climax of one such sulfurous exercise, Heflin, with apocalyptic fervor, concluded:

> In the name of right and justice and in the name of plundered millions, I call upon the President to cast this man overboard. If he will do that, millions of people will lift up their voices and out of millions of grateful hearts will exclaim: "The pale horse and his rider are cast into the sea, All praise Jehovah, His people are free!"[53]

Opponents of Governor Harding used more than cosmic visions to thwart his reappointment to the board. At the request of state Farm Bureau organizations, a dozen western Republican senators met with the President in September and indicated to him that the appointment of Harding to a new term would be "objectionable." Kansas Senators Arthur Capper and Charles Curtis led the group and received assurances that Harding would not be reappointed to the post.[54]

Not only did the farm bloc manage to force Harding's retirement from the board, but their candidate to replace him, Comptroller of the Currency Daniel R. Crissinger, won the job of governor of the board in January 1923.[55] Reviewing the success of the bloc, one correspondent exclaimed, "The hand that guides the plow is in a fair way to be the

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[52]For an example, see U. S., Congressional Record, 67th Cong., 2d Sess., December 6, 1922, pp. 131-32; Ibid., January 15, 1923, pp. 1752-53; Ibid., February 28, 1923, pp. 4869-75.

[53]Ibid., September 20, 1922, pp. 12991-2.

[54]New York Times, 23 September 1922; Ibid., 17 October 1922; Capper's Weekly, XLIX (October 14, 1922), p. 14; Successful Farming, XXI (December 1922), p. 10.

[55]New York Times, 21 January 1923.

hand that guides our national finances."[56] Undoubtedly, Crissinger, an old friend and fellow townsman of the President, did not owe his appointment solely to the promotional propensities of the Congressional farm leadership, nevertheless they viewed his selection with satisfaction and approval.[57] Capper's Weekly reported that Crissinger " . . . comes from the West and has not come up in the Wall Street atmosphere. In Washington he is known to have great sympathy for producers."[58]

Crissinger lived up to expectations, promoting a low-rate discount policy that was mildly inflationary, at least until the beginning of the infamous bull market of 1927-28.[59] By the end of January 1923, it appeared that the pale horse and his rider, if not cast into the sea, were at least under tighter rein.[60]

The crusades of 1922--the victory of maverick politicos, the farmer-member measure, and the forced retirement of William P. G. Harding from the Reserve Board--were fundamentally negative performances. Towards the end of the Sixty-Seventh Congress, the farm bloc replaced negativism with genuine accomplishment--agricultural credits legislation.

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[56] Literary Digest, LXXVI (January 27, 1923), p. 16.

[57] Heflin's enthusiasm for the Crissinger appointment is found in U. S., Congressional Record, 67th Cong., 4th Sess., February 18, 1923, p. 4871.

[58] Capper's Weekly, XLIX (March 31, 1923), p. 4.

[59] Galbraith, The Great Crash, p. 32.

[60] Much to the chagrin of his critics, William P. G. Harding, in January 1923, became governor of the Federal Reserve Bank at Boston at a salary which more than doubled his income as governor of the Federal Reserve Board.

The need for a more efficient and suitable credit facility designed especially for the peculiar requirements of the agricultural industry seemed to receive almost universal recognition by the winter of 1922-23.[61] The depression of 1920, the Joint Commission of Agricultural Inquiry, and the temporary revival of the War Finance Corporation, had underscored the inadequacy of the Federal Reserve and other finance agencies to aid the farmer. Rural credits reform, given its final impetus by the farmer-labor election victories, was an idea supported by the total spectrum of American political leadership--everyone from the President, Andrew Mellon, and Bernard Baruch to Henry Ford, Robert La Follette, and J. Thomas Heflin. On December 2, 1922, the La Follette farmer-labor bloc appointed Oklahoma Senator Robert Owen chairman of a committee to deal with the whole question of rural credits. On the same day, President Harding announced that his administration intended to secure additional relief measures for the farmer.[62] The ensuing "lame duck" session of the 67th Congress saw at least ten rural credits bills introduced for its consideration.

In a confusing display of legislative pyrotechnics during January and February of 1923, the Senate passed a bill, a resolution, and yet another bill relating to rural credits, while the House of

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[61]In November 1922, the Grange, for example, resolved: "We urge legislation turning the functions of the War Finance Corporation over to the Department of Agriculture until a permanent short-time rural credit system is provided by Congress. . . ." Journal of Proceedings of the National Grange of the Patrons of Husbandry, Fifty-fifth Annual Session, Portland, Oregon, 1922, p. 147. See also Gray Silver, "Farm Finance to the Front," Successful Farming, XXI (December 1922), pp. 5, 62.

[62]John W. Owens, "The Progressives," New Republic, XXIV (March 14, 1923), pp. 61-62.

Representatives independently molded its own version of a credit relief measure.

The Senate's first action came when it passed the Capper-McFadden bill on January 19, 1923. According to its sponsor, Arthur Capper of Kansas, the bill was designed "to accomplish in the field of agricultural credit what the national banking system was designed to accomplish in the banking field."[63] Receiving the endorsement of both the National American Livestock Association and Secretary of the Treasury Andrew Mellon[64] (because the bill required no federal monies), the Capper-McFadden bill contained at least five proposals:[65] (1) It raised from $10,000 to $25,000 the amount which a Federal Land Bank might lend one borrower; (2) it renewed the life of the War Finance Corporation through the winter of 1923-24; (3) it made it easier for rural banks to join the Federal Reserve System by lowering the capital requirements for small banks; (4) it extended the term of eligible agricultural paper for rediscount by the Federal Reserve System from six to nine months; and (5) it provided for the incorporation of agricultural credit corporations by private citizens to purchase or discount agricultural paper secured by agricultural commodities or livestock. This last provision was designed to provide a sounder basis to livestock financing and authorized National Agricultural Credit Corporations,

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[63] U. S., Congressional Record, 67th Cong., 4th Sess., January 15, 1923, p. 1756.

[64] New York Times, 2 January 1923.

[65] The bill is reprinted in U. S., Congressional Record, 67th Cong., 4th Sess., January 15, 1923, pp. 1758-59.

with minimum capitalization of $250,000 to operate under the auspices of the Comptroller of the Currency. The bill was based on the experience of the War Finance Corporation in financing farm products and had the blessing of that corporation's director, Eugene Meyer. Because the bill called for relatively painless reforms, (no federal money or additional bureaucracy), it passed the Senate without opposition.[66] Many advocates of rural credit legislation believed that the Capper-McFadden bill was insufficient to fully solve the crisis of farm finance. Subsequently, on February 3, the Senate passed the Lenroot-Anderson bill. Ervine Lenroot and Sydney Anderson had been co-chairmen of the Joint Commission on Agricultural Inquiry that had concluded that credit available to farmers was "not adequately adapted to the farmer's requirements."[67] Farmers were limited to borrowing from either the Federal Reserve System and state banks, which could discount agricultural loans for a maximum of six months, or the Federal Farm Loan System, which offered long-term loans based on mortgaged property. After its investigations, the Joint Commission concluded, according to Senator Lenroot, that "there was a gap, in between, running from six

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[66] New York Times, 20 January 1923. On the same day the Senate approved the Capper-McFadden bill, it passed a resolution offered by George P. McLean of Connecticut, chairman of the Senate Banking and Currency Committee. The McLean resolution reflected the concern of many who felt the Federal Reserve System had failed to serve smaller banks and provided for the appointment of a joint inquiry to ascertain the reasons why rural and state banks failed to join the Reserve System. See U. S., Congressional Record, 67th Cong., 4th Sess., January 19, 1923, p. 3935.

[67] U. S., Congress, House, Joint Commission of Agricultural Inquiry: House Reports, Vol. 3, Part 2, Credit, 67th Cong., 1st Sess., 1921, p. 7.

months to three years, as to which there is no credit facility at all," available to farmers.[68]

The Lenroot-Anderson bill created a credit system composed of twelve farm loan banks with independent capital and liabilities, under the aegis of the Federal Farm Loan Banking System. Each Federal Intermediate Credit Bank was to be capitalized to the extent of $5 million by the Secretary of the Treasury and was authorized to sell trust debentures to the amount of ten times its capital and surplus. The main function of each bank was to rediscount agricultural paper, with a maturity from six months to three years.[69]

While the Senate debated the merits of the Capper-McFadden and the Lenroot-Anderson proposals, the House debated and passed a bill sponsored by James G. Strong of Kansas. The Strong bill included features of Capper-McFadden and called for the reorganization of the management of the Federal Land Banks to give debtor members greater representation. It also suggested that the Federal Farm Loan System

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[68]U. S., Congressional Record, 67th Cong., 4th Sess., January 25, 1923, p. 2397; New York Times, 20 January 1923.

[69]See Murray Reed Benedict, Farm Policies of the United States, 1790-1950 (New York: The Twentieth Century Fund, 1953), p. 185; Theodore Saloutos and John D. Hicks, Twentieth Century Populism: Agricultural Discontent in the Middle West, 1900-1939 (Lincoln: University of Nebraska Press, 1951), pp. 337-340; also two contemporary articles: G. C. Henderson, "The Agricultural Credits Act of 1923," Quarterly Journal of Economics, XXXVII (May 1923), pp. 518-22, and V. N. Valgreen, "The Agricultural Credits Act of 1923," American Economic Review, XIII (September 1923), pp. 442-60. The principal monograph is Frieda Baird and Claude L. Benner, Ten Years of Federal Intermediate Credits (Washington, D. C.: The Brookings Institution, 1933), 416 pp.

increase its maximum loan from $10,000 to $16,000 and, in some exceptional cases, to as much as $25,000.[70]

Throughout the congressional debate on various bills the need for agricultural credits legislation seemed inextricably joined to the "Crime of 1920" thesis. While speaking on the Lenroot bill, Senator Furnifold Simmons of North Carolina proclaimed that he wanted the farmer given an "adequate credit and financial opportunity and not more sop." Then the North Carolinian reiterated a theme frequently mentioned by speakers in their demand for credit reform--the discriminatory nature of the American banking system.

> We have a banking system [Simmons explained] which affords all the credit that is needed by our commercial and our industrial activities. The farmer is without the means of obtaining anything like adequate credit. It is this unbalanced condition . . . that is very largely responsible for the fact that we see certain occupations very prosperous while the farming operations of the country are in a state of depression. . . .[71]

South Carolina's Ellison D. Smith was one of several who emphasized the anti-Reserve System theme during comments on the Lenroot bill. Though acknowledging the salutary effects of the Federal Reserve during the War, the South Carolinian complained, "From May, 1920, up until a few months ago that source of relief to the people was practically arbitrarily shut. Where it was not arbitrarily shut, the fear of a

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[70]Valgreen, "The Agricultural Credits Act of 1923," p. 450; New York Times, 21 February 1923.

[71]U. S., Congressional Record, 67th Cong., 4th Sess., December 12, 1922, p. 345. See also the remarks of Representative Louis T. McFadden, Ibid., February 28, 1923, pp. 4887-88. The inability of the Federal Reserve System to meet the credit needs of farmers is summarized in J. T. Holdsworth, "Farm Credits," Journal of Farm Economics, IV (January 1922), pp. 26-27.

repetition of what had occurred kept men from embarking in the business once again under conditions which ruined them."[72] Concurring with Smith, Senator Robert L. Owen of Oklahoma presented his version of the "Crime of 1920" thesis to the Senate. "What has taken place," he asserted, "is an industrial depression, infinitely emphasized by the action of the Federal Reserve Board . . . using their influence with the banks of the country to restrict credits. When they did, it had the effect of bringing the market prices down below the cost of production, and brought on a ruinous condition which has all the effect of a panic."[73] As the discussions developed regarding the need for relief legislation it became clear that dissatisfaction with the performance of the system during the postwar crises was intrinsic in the 1923 push for agricultural credits legislation.

On March 1, 1923, a nearly exhausted Congress, urged by President Harding and major farm organizations, agreed to an amalgamation of the various rural credit proposals into one omnibus act--the Agricultural Credits Act of 1923. The proposals of Capper-McFadden, Lenroot-Anderson, Strong, McLean, and others were laid end-to-end without much effort to integrate them. President Harding, nevertheless, signed the act on March 4, 1923. The agricultural Credits Act created two parallel systems of agricultural credit: the Federal Intermediate Credit banks and the privately financed National Agricultural Credit Corporations.

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[72]Ibid., December 16, 1922, p. 552.

[73]Ibid.

Altogether, it was a substantive effort by Congress to meet the credit needs of farmers.[74]

As farmers reviewed their efforts to gain a more accommodating monetary policy during 1922 and 1923, they could tally a number of achievements. Farmers helped defeat an unusual number of unacceptable incumbents in the 1922 elections, they forced their farmer-member measure on a recalcitrant President, and they blocked the reappointment of Reserve Board Governor William P. G. Harding. In addition, the Agricultural Credits Act of 1923 provided farmers with a reasonably efficient intermediate credit system. Louis J. Taber, Master of the National Grange, gloated:

> In the seventies and eighties, those uninformed or with selfish interests, ridiculed our Order for advocating the elevation of the commissioner of agriculture, to a place in the President's cabinet; for demanding rural delivery; asking creation of the inter-state commerce commission, and similar legislation. History has clearly demonstrated that this legislation was not only for the good of agriculture, but of the nation. We venture to predict that in another quarter of a century those who today have opposed cooperative marketing, the placing of a farmer on the federal reserve board, rural credit, and similar sound legislation championed by the Grange and organized agriculture, will find these accomplishments as unassailable from the standpoint of sound public policy.[75]

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[74]Some scholars concluded that the role of credit was overemphasized in the early twenties, and consequently the Agricultural Credits Act of 1923 has not been looked upon as extremely significant. See Benedict, Farm Policies, p. 186. Valgreen, however, estimated that total farm indebtedness in the 1921-1922 period stood at less than 20 per cent of the gross value of farm property. He claimed that most industries used borrowed capital at a ratio of one-third to two-thirds of the capitalized value and thus implied that additional credit was needed by farmers. Valgreen, "Agricultural Credits Act of 1923," p. 459. Baird and Benner concluded that the accomplishments of the Intermediate Credits system had been "modest." They did grant that the system had provided lower interest rates and greater accessibility of credit to certain classes of farmers. See Ten Years, pp. 371-83.

[75]Journal of the Proceedings of the National Grange of the Patrons of Husbandry, 58th Annual Session, Atlantic City, November, 1924.

The accomplishments of 1922-1923, though aggressive and authentic, proved less spectacular than Taber predicted. Nevertheless, national monetary planners of both the Harding Administration and of future depression regimes should have been alerted that farmers intended to exert influence over their own financial destinies.

CHAPTER V

AGRICULTURE AND THE DEVELOPMENT OF MONETARY THEORY 1920-1930

The "Crime of 1920" controversy, the farm depression and the demands for banking and monetary reform during the Harding Administration stimulated renewed debate on monetary theory. These discussions gathered fresh intensity as a result of the Crash of 1929 and continued into the thirties. Some of the monetary speculations were quixotic amateurism while many represented a reincarnation of Populist bimetallic and inflationary propaganda. Meanwhile, in an effort to apply science to the money question economists investigated the variants and potentials of a managed currency system. Both the neo-Populists and the managed currency advocates relied on farmers for support of their respective programs. As a consequence of the economist's need for political support and the unhappy status of agriculture the professor and the farmer began a dialogue during the twenties that eventually helped produce many of the monetary accomplishments of the New Deal.

Among the neo-Populist theorists, none received as much public notice as the tandem of Henry Ford and Thomas A. Edison.[1] The two

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[1]For additional neo-Populist thought in the 1920's, see Donald R. Murphey, "Is the Greenback Movement Coming Back?," Wallaces' Farmer, XLVII (March 31, 1922), p. 1; and U. S., Congressional Record, H. Res. 4576, 67th Cong., 2d Sess., June 29, 1922, 9734. The resolution, promoted chiefly by Jacob S. Coxey, Sr., asked that the government issue legal-tender notes secured by noninterest-bearing 25-year bonds.

friends, products of rural Michigan, leaned toward Populist monetary views and were widely respected in farm circles.[2] Ford, hoping to see the agricultural industry rehabilitated and anxious to acquire the dam at Muscle Shoals entered the quarrel over monetary policy in late 1921. On December 4, after touring the Muscle Shoals facility with Edward A. O'Neal, head of the Alabama Farm Bureau, Ford explained that his motives for wanting the plant were based on more than a desire for enhanced electrical or industrial productivity. "The one big thing which I see in Muscle Shoals," he told reporters, "is an opportunity to eliminate war from the world." When asked what he meant Ford replied, "It is very simple. . . . The cause of all wars is gold. We shall demonstrate to the world through Muscle Shoals . . . the desirability of displacing gold as the basis of currency and substituting in its place the world's imperishable natural wealth." Specifically the industrialist suggested that the government could finance the completion of the Muscle Shoals complex through issuing "redeemable noninterest bearing currency." The electricity the project produced would generate sufficient income to retire the paper currency within twenty years. The project could be financed without the government spending tax monies or selling interest bearing bonds to the loan sharks of Wall Street.[3] Edison quickly

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[2]Reynold W. Wik, "Henry Ford and the Agricultural Depression of 1920-1923," Agricultural History, XXIX (January 1955), p. 15. Wik illustrated Ford's influence on farmers but omitted references to the industrialist's monetary views. Matthew Josephson, Edison: A Biography (New York: McGraw Hill Book Co., Inc., 1959), p. 464, noted the inventor's Populist leanings but also ignored his subject's monetary thinking.

[3]New York Times, 5 December 1921; also Reynold W. Wik, Henry Ford and Grass-Roots America (Ann Arbor: University of Michigan Press, 1972), pp. 113-14; and Henry Ford, My Life and Work, in collaboration with Samuel Crowther (New York: Doubleday, Page and Co., 1922), pp. 169-83.

approved this suggestion with the quip, "Gold is a relic of Julius Caesar and interest is an invention of Satan."[4] The news that fiat money advocates resented the gold standard was less than startling, yet almost anything Ford and Edison did or said in the twenties gained national publicity.

A few weeks after his Alabama tour, Ford, whose antisemitic slurs had already earned him notoriety, announced that he was terminating his exposé of "The International Jew" and initiating a fight for money reform.[5] The auto maker asked Edison to see if he "could not invent some plan for helping the farmer."[6] Edison empathized with Ford's anxiety over rural conditions, telling reporters: "We ought to do something about the farmer. It's a moral obligation. He doesn't know anything about figures. He gets skinned."[7]

Edison recalled that he approached his new assignment with the same methodology he had used to achieve other inventions--"get all the facts as far as possible, and then see what can be done to solve the problem." The inventor, reading two lines at a time, spent "twelve weeks, fourteen hours a day," studying the money question and the farm problem. The grist for his study included: "The Greenback acts, five

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[4]New York Times, 6 December 1921.

[5]Ibid., 17 January 1922. See also Allen Nevins and Frank Ernest Hill, Ford: Expansion and Challenge 1915-1933, II (New York: Charles Scribner and Sons, 1957), p. 316. Nevins and Hill failed to mention Ford's monetary schemes in their account of the Muscle Shoals episode.

[6]Thomas A. Edison, A Proposed Amendment to the Federal Reserve Banking System: Plan and Notes (Orange, N. J., 1923), p. 1.

[7]New York Times, 16 July 1922 and 20 February 1922.

histories of banking, the history of the Bank of England, and the works of all the economists from Adam Smith to John Stuart Mill and Herbert Spencer."[8]

On May 19, 1922, Edison outlined the results of his labors to a subcommittee of the Senate Agricultural bloc.[9] The Edison Plan undoubtedly sounded familiar to most of the Senators as it resembled the Subtreasury scheme of the Alliance and Populist movements. The inventor suggested that the government build twelve concrete warehouses, six in cotton regions and six in the wheat belt, where farmers could deposit their commodities. After a trial period the program could be expanded both in the number of warehouses and the commodities eligible for storage.[10]

Edison's proposal, a commodity dollar scheme, included a self-canceling currency feature. Upon depositing his crop at the warehouse where it was weighed and graded the farmer received two receipts--one receipt entitled the holder to receive from any national bank Federal Reserve notes equal to 50 per cent of the average value of the stored commodity during the preceding 25 years. This loan, repayable within 12 months, incurred only a nominal service charge and was secured by a lien on half of the deposited crop. The second receipt certified the farmer's equity on the unmortgaged half of his commodity. The farmer might sell, hold or borrow against the equity certificate at

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[8] Ibid., 18 June 1929. [9] Ibid., 20 May 1922.

[10] Edison, Amendment to the Federal Reserve Banking System, 17 pages. See also Dagobert David Runes, ed., The Diary and Sundry Observations of Thomas Alva Edison (New York: Philosophical Library, 1948), pp. 192-202.

his discretion.[11] Whoever owned the equity certificate could present it together with the amount loaned on the commodity and receive the stored goods from the warehouse. As soon as the government disposed of the commodity an amount of money equal to the original loan was destroyed. In sum, Edison proposed that the Federal Reserve issue money based upon 50 per cent of the value of these stored commodities. "It may be," Edison envisioned, "we could ship Government graded wheat and cotton to pay balances in many cases where we now ship gold bars."[12]

Edison claimed two principal advantages accrued to farmers in this plan. Achieving year round financing the farmer could avoid the traditional price depressing glut of the market at harvest time. The plan also offered the advantage of impartial and low cost grading of the farmer's product.[13] In addition, Edison might have added, the inflationary and easy credit features of the warehouse system made his proposal attractive to debt-burdened farmers.

Both critics and admirers of the two friends reacted to the Ford-Edison monetary proposals. The day following Ford's suggestions regarding Muscle Shoals and fiat money, New York banker Samuel Untermyer exploded, "I have long leaned to the charitable point of view that Ford's great money success had driven him crazy, but I never believed that even an impaired mind could harbor such a combination of unbounded egotism, ignorance, bigotry, and impudence as is disclosed in this

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[11] Edison, _Amendment to the Federal Reserve Banking System_, p. 6.

[12] _Ibid._, p. 12.

[13] _Ibid._, p. 11.

latest piece of sensationalism."[14] Benjamin Strong, Governor of the New York Reserve Bank, in a letter dated February 1922, wrote: "The most dangerous menace now before the Federal Reserve System, and the country generally is . . . a coalition . . . between Henry Ford, Thomas A. Edison, William J. Bryan . . . in a deliberate campaign for cheap credit." Strong informed his correspondent "in confidence" that "we are quietly arming for the conflict." The Governor admitted alerting certain committees in Washington to the inflationary menace and concluded that the whole controversy "is the unfortunate outgrowth of deflation, so called, whatever that may be."[15] Equally alarmed, the American Banker's Association undertook in July 1922 a countrywide campaign to warn against "printing press" money of the Ford-Edison variety.[16]

Farmers also responded to the Ford-Edison monetary suggestions. On December 16, 1921, Senator Edwin Ladd of North Dakota founded with W. H. "Coin" Harvey of Arkansas the National Honest Money Association. The Association endorsed Ford's opposition to the gold standard and praised his suggestions regarding fiat money.[17] In general the Ford-Edison schemes appealed to the more depressed agriculturalist--just the

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[14] New York Times, 5 December 1921.

[15] Quoted in Lester V. Chandler, Benjamin Strong, Central Banker (Washington, D. C.: The Brookings Institution, 1958), pp. 201-02.

[16] New York Times, 12 July 1922. The best contemporary critique of the Ford-Edison proposals was William Trufant Foster, "Edison-Ford Commodity Money," Proceedings of the Academy of Political Science, X (January 1923), pp. 187-205.

[17] New York Times, 17 December 1921. Also see U. S., Congressional Record, 67th Cong., 4th Sess., January 19, 1923, pp. 1981-82.

type of individual who comprised the membership rolls of the Farmers' Union. The Farmers' Union affiliate in Oklahoma editorialized:

> We wish every farmer would read the Dearborn Independent which is Mr. Ford's personal paper. He has the money, and the heart to spend that money in getting the facts. . . . When he advocates a complete change in the money system of our country, "Big Big" cannot say it is some socialist bolshevist, or hard up farmer wail of woe.

The editorial concluded that Ford ought to be the farmer candidate for President in 1924.[18]

The money ideas of Ford and Edison enjoyed longevity in the minds of many rural Americans. After Edison's death in 1931, Milo Reno of Iowa republished the decade-old commodity dollar and warehouse plan as a tribute to the inventor. Reno enthusiastically described the money scheme as "the greatest service [Edison] rendered his fellows of the present, and of the future. . . ." The Iowan then urged subscribers "to read it [the Edison warehouse plan] carefully . . . and then compare this with the teachings of your own organization. . . ."[19] During the early New Deal days Jacob Baker, Assistant Administrator of the Federal Emergency Relief Administration, attempted to revive the Edison warehouse plan, recalling its history and recommending it to Henry A. Wallace, Secretary of Agriculture, as "an excellent plan for commodity issue."[20] As late as 1938, farmers in Kansas used the name of Edison

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[18] Oklahoma Union Farmer, IV (June 1, 1923), p. 1.

[19] Milo Reno, "Change in Money System Was Favored by Edison," Oklahoma Union Farmer, XII (November 1, 1931), pp. 1, 4.

[20] Baker to Honorable Henry A. Wallace, October 2, 1935, Washington, D. C., Record Group 16, "Records of the Secretary of Agriculture: Money Orders," Archives, Washington, D. C. The inflationists organization, the Committee for the Nation, attempted unsuccessfully to form an

as documentation for their inflationary cause. One rural family wrote Representative Clifford Hope of Kansas, "We as farmers of Kansas demand that you help the American people take over the Federal Reserve Bank. . . ." Congressman Hope's constituent warned, "We will not vote for any man that upholds our present satanic and Jew controlled money system. . . . Edison said if government can print a dollar bond it can print a dollar bill, if you want our vote, act now to preserve civilization."[21]

The appeal of the Ford-Edison schemes rested on their traditional Populist monetary philosophy and on the unquestioned stature of the authors--perhaps rural America's foremost public figures. But, in spite of conservative nightmares, the money ideas of the two colleagues never got beyond the discussion stage.

If businessmen like Henry Ford were the saints of the New Era, the Lords Spiritual of the decade were its economists. Given fresh stature as the result of the emphasis on national planning during the war, economists attained a new professionalism which stressed that the

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alliance with Ford in the campaign for money reform during the mid-1930s. See Edward A. Rumely to Henry Ford, July 12, 1934, Dearborn, Michigan, Rumely Papers, Lilly Library, Indiana University, Bloomington, Indiana; Rumely, "Open Letter to Henry Ford," July 15, 1935, Elmer Thomas Papers, Manuscripts Division of the University of Oklahoma Library, Norman, Oklahoma; Fred Sexauer to Edsel Ford, August 7, 1935, Detroit, Michigan, Dairymen League Papers, The Collection of Regional History and University Archives, Cornell University, Ithaca, New York.

[21]Mr. and Mrs. Jacob Diehl to Hope, June 23, 1938, Brookville, Kansas, Hope Papers, Kansas State Historical Society, Topeka, Kansas. An almost identical letter is Sena Cumberland to Hope, May 30, 1938, Brookville, Kansas, <u>Ibid</u>.

discipline could be both an inductive and pragmatic science.[22] "I look upon the economists of today," boldly declared one practitioner in 1921, "as the priests of a religion of material salvation which must be successfully preached throughout this land if we are to survive the disastrous consequences of the great war."[23] It was an optimistic credo. Beginning about 1918, the discipline seemed less dismal as economic activists agreed it was necessary to take action--"to do something" about the ills of the postwar economy.[24]

In their search for relevancy and impact on public policy economists discovered at least two areas that begged investigation. The money question, traditionally a popular matter for study, probably attracted the energies of more economists than any other subject in the postwar period.[25] It allowed theoreticians to confront practical and current problems which were not only complex but important to an industrialized, creditor nation. The "farm problem" also received intensive scrutiny from economists during the 1920s and 1930s. The American Farm

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[22]For a discussion of the New Economics, its emphasis on current problems and its reliance on empirical tools, see Henry Steele Commager, The American Mind: An Interpretation of American Thought and Character Since the 1880's (New Haven: Yale University Press, 1950), pp. 227-46; and Joseph Dorfman, The Economic Mind in American Civilization: 1918-1933, V (New York: The Viking Press, 1959), pp. 463-64.

[23]R. C. Leffingwell, "Discount Policy of the Federal Reserve Banks," American Economic Review, XI (March 1921), p. 30.

[24]One illustration of the revived interest in economics is seen in the emphases in Dorfman's history of American economic thought since 1606. Two of Dorfman's five volumes are reserved for the fifteen years beginning in 1918. See Dorfman, The Economic Mind, IV, V (1959).

[25]Ibid., IV, pp. 276-77. Both the Annual Meeting of the Academy of Political Science, November 1922, and the American Economic Association's annual convention in December 1927 were dedicated to monetary issues.

Economic Association founded in January 1919 emphasized the new scientific methodology. The "phenomenal" development of agricultural economics in the postwar era merited the recognition it received when the Department of Agriculture created the Bureau of Agricultural Economics in 1922.[26] The new training in agricultural economics transcended the earlier preoccupation with the management of individual farms and emphasized the cosmic and often complex forces affecting agricultural welfare. On several occasions the monetary and agricultural economists were in each other's intellectual bailiwicks as monetary and credit issues seemed inextricably fused in most programs of farm relief.

Yale University economist Irving Fisher illustrated the vitality of the response of the new economics to live issues and in the process became an improbable hero to farmers. Fisher, a thoroughly proper Ivy League gentleman founder of the Econometric Society, President of the American Economic Association (1918), hygienist, eugenicist, prohibitionist and World Leaguer, concentrated most of his energies after the War on the crusade to stabilize the purchasing power of money. Christened the "Honest Money" campaign, the stabilization movement

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[26]See Henry Charles and Anne Dewees Taylor, _The Story of Agricultural Economics in the United States, 1840-1932_ (Ames: The Iowa State College Press, 1952), XII, p. 490. Also Albert G. Black, "Agricultural Policy and the Economist," _Journal of Farm Economics_, XVIII (May 1936), pp. 311-19; George F. Warren, "The Origin and Development of Farm Economics in the United States," _Journal of Farm Economics_, XIV (January 1932), pp. 2-9.

honored Fisher as its major theoretical contributor and earned the Yale economist great respect in farm circles.[27]

As early as 1911, Fisher became intrigued with the evils and possible cures of the inflation-deflation business cycle which had produced what he called the "Jumping Jack" dollar, the "dance of the dollar," or a dollar that was "the great pickpocket, robbing first one set of people and then another . . . ," creating class antagonisms, political unrest and business uncertainty. The gold dollar, he argued, was a unit of weight, not a unit of value. "What good does it do us to be assured that our dollar weighs just as much as ever? . . . What we really want to know is whether the dollar buys as much as ever."[28] Fisher proposed the dollar be stabilized through his Compensated Dollar plan--a scheme with variations he would advocate until his death in 1947.

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[27]Fisher, a prodigious author, wrote at least 48 articles and 13 books on monetary themes. See Arthur D. Gayer, ed., The Lessons of Monetary Experience: Essays in Honor of Irving Fisher (New York: Farrar and Rinehart, Inc., 1937), pp. 448-50. The full scope of Fisher's work is cataloged in Irving Norton Fisher, A Bibliography of the Writings of Irving Fisher (New Haven: Yale University Press, 1961), 543 pages. The best history of his crusade for monetary reform is partially autobiographical. See Irving Fisher, Stable Money, a History of the Movement, assisted by Hans R. L. Chorssen (New York: Adelphi Co., 1935), 484 pages. Irving Norton Fisher, My Father Irving Fisher (New York: Comet Press, 1956), 352 pages, provided useful family history.

Other studies of Fisher included Dorfman, The Economic Mind, III, pp. 365-375; Ibid., IV, pp. 288-302; Joseph Stagg Lawrence, Stabilization of Prices: A Critical Study of the Various Plans Proposed for Stabilization (New York: The Macmillan Co., 1928), pp. 59-63; Joseph Reeves, Monetary Reform Movements (Washington, 1943), 404 pages; Max Sasuly, "Irving Fisher and Social Science," Econometrica, XV (October 1947), pp. 255-278; Joseph Alios Schumpter, Ten Great Economists from Marx to Keynes (New York: Oxford University Press, 1951), pp. 222-228; R. B. Westerfield and Paul H. Douglas, "Memorials," American Economic Review, XXXVII (September 1947), pp. 656-663.

[28]Irving Fisher, Stabilizing the Dollar: A Plan to Stabilize the General Price Level Without Fixing Individual Prices (New York: The Macmillan Co., 1920), p. 82.

According to Fisher, the stable dollar--one nearly always constant in terms of purchasing power, could be achieved through varying the gold content of the dollar inversely with price fluctuation based on a market-basket commodity index. Analogous to the compensated pendulum, Fisher's plan would increase or decrease the weight of the gold dollar a percentage point for every one per cent of deviation of the index number from par. To keep the dollar from shrinking in value Fisher would add to its weight and conversely to keep the dollar from growing in value he would decrease its weight in terms of gold. "To keep the price level of other things from rising or falling," he wrote, "we make the price of gold fall or rise."[29]

The Compensated or Commodity Dollar scheme contained both traditionalist and innovative implications. Its theoretical base rested on a recasting of the old quantity theory of money while its major creative influence was to hasten the coming of a managed currency system.[30]

Fisher realized that accurate stabilization required more sophisticated adjustments than those incidental to the compensated dollar plan. He saw gold as but the "foundation" of the "monetary structure" and its stabilization essential. But the Yale economist also agreed to the necessity of stabilizing the "super-structure" of the money system--paper money and credit including bank deposits subject to check. Fisher urged the government to "resist the wiles of the printing

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[29] Ibid., p. 105.

[30] Fisher recast the quantity theory into what he called the "equation of exchange." The equation is reviewed in Eugene E. Agger, "Gold, Money and Prices," Proceedings of the Academy of Political Science, X (January 1923), p. 9.

press" and called upon the Federal Reserve System to actively regulate the flow of credit. A combination of regulation of the superstructure and stabilization of gold, he concluded, might not "precipitate a millennium, but it would be a seven-league stride in progress."[31]

By 1920 both the American Economic Association and the American Banker Association had studied and rejected the Fisher stabilization scheme as impractical.[32] Undeterred, and always the irrepressible crusader, Fisher undertook the "first organized effort toward eventually realizing the dream of stable money" when he established the Stable Money League in early 1921.[33] The Stable Money League underwent metamorphosis, becoming the National Monetary Association in 1922 and the Stable Money Association in 1925. The Stable Money Association, like its predecessors, maintained an impressive membership list including prominent economists, bankers and businessmen, both in the United States and Britain. Though the three organizations campaigned for no specific plan of stabilization they were dedicated to educating the

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[31]Irving Fisher, "Stabilizing the Dollar," Harper's Monthly Magazine, CXLVIII (March 1924), pp. 512-13; Fisher, Stabilized Money, pp. 396-97.

[32]See "Objections to Monetary Standard Based on Index Numbers," The American Economic Review, III (March 1913), pp. 1-19; "Report of the American Bankers Association Currency Commission on Dr. Irving Fisher's Plan to Stabilize the Dollar," Journal of the American Bankers Association, XII (November 1920), pp. 239-40. Fisher's response to the latter report is found in the New York Times, 29 May 1921. Among the most interesting reactions to the Fisher proposals was Allen A. Young, review of Stabilizing the Dollar, by Irving Fisher in The Quarterly Journal of Economics, XXXIV (May 1920), pp. 527-32.

[33]Fisher, Stable Money, A History, pp. 104-09.

public to the consequences of inflation and deflation and the need for a constant standard of value.[34]

The stabilization concepts of Fisher and groups like the Stable Money Association eventually discovered a most enthusiastic reception in the Agricultural industry. The 1920 commodity price catastrophe drew protests from farm leaders throughout the remainder of the decade and their desire to prevent a recurrence of such radical price fluctuations enhanced the appeal of stabilization doctrines. Fisher seemed sympathetic to the farm industry acknowledging that its grievances against the monetary system was real. Regarding the recent outbursts of "Greenbackism, free-silverism and Henry Fordism," he wrote in 1923, "All three were howls of rage of those whose toes had been stepped on by deflation." Fisher warned "At present there is grave danger of upsetting our Federal Reserve System. The farmers believe that, instead of accommodating them, it has oppressed them. What is the answer? Not definitely to say 'We'll keep the system, deflation, inflation and all,' but rather to say 'We'll make it stable.'"[35]

Fisher served the stable money cause as both prophet and patron contributing not only ideology but more than one hundred thousand

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[34]See George Cox, How to Thwart the Fluctuating Dollar (New York: Stable Money Association, December 30, 1926); H. G. Guthmann, Insuring Against Business Tornadoes (New York: Stable Money Association, March 1927); New York Times, 1 January 1921; 29 May 1921; 26 December 1922; 11 April 1925; 7 June 1930.

[35]Irving Fisher, "On Stabilizing the Dollar," Independent, III (July 21, 1923), pp. 22-23.

dollars to the movement.[36] The Yale Economist frequently testified before Congressional committees, often at the invitation of farm politicians. Rural spokesmen and farm journal editorial writers not only honored the professor as "an authority" on monetary matters but liked his prohibitionist convictions as well. In 1934, as Fisher once again set about to present his theories on money to treasury officials, an admirer reported, "As I saw him, a man past 70, going cheerfully, eagerly on this mission, I could not help but feel admiration for the enthusiasm and devotion to the ideal of better money that has actuated Fisher's entire adult life."[37] Even his frankest contemporary critic conceded, "His efforts have provided a popular education in monetary theory to thousands."[38]

In his history of the stable money movement published in 1935, Fisher observed, "The organized farm population of the country has become the most outspoken advocate of stabilization. . . ."[39] It was not always that way. In general, organized agriculture moved sluggishly during the twenties to integrate the Fisher proposals into their own farm relief programs. The real commitment to monetary stabilization awaited the fresh disaster of 1929 and its deflationary aftermath. Yet during the Harding-Coolidge years the initial agricultural converts

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[36]Westerfield and Douglas, "Memorials," American Economic Review, p. 658.

[37]Edward A. Rumely to Fred Sexauer, October 3, 1934, New York City, Dairymen League Papers, The Collection of Regional History and University Archives, Cornell University, Ithaca, New York.

[38]Lawrence, Stabilization of Prices, p. 59.

[39]Fisher, Stable Money: A History, p. 63.

to the stabilization cause were won and they were the precursors to the larger effort.

Henry A. Wallace, editor of Wallaces' Farmer, became Fisher's principal disciple among farm spokesmen. Elected a Vice-President of all three stable money organizations, the young editor, only weeks after Fisher launched the Stable Money League, urged upon farmers the importance of stable money to their industry. Wallace reported, "Very few representatives of the farm interests were at the first meeting of the Stable Money League. This is rather strange," he observed, "for the farmer really has more to gain from stable money during the next thirty years than any other class of society."[40] During the decade that followed, Wallaces' Farmer seldom missed an opportunity to preach the good news of stabilization, confidently predicting that "Sooner or later we shall inevitably be driven either to the Fisher stabilized dollar or some other form of a commodity dollar."[41]

The first national farm organization to endorse monetary stabilization was the American Farm Bureau Federation at its national convention in November 1921.[42] In January 1922, President Harding's National Agricultural Conference also demonstrated awareness of

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[40]"The Stable Money League," Wallaces' Farmer, XLVI (June 10, 1921), p. 858; New York Times, 29 May 1921.

[41]Wallaces' Farmer, XLVI (July 8, 1921), p. 944. See also "The Value of Money," Ibid., (July 24, 1921), p. 905; "Stabilizing the Dollar," Ibid., (December 2, 1921), p. 1441.

[42]American Farm Bureau Federation, Resolutions Adopted at the Third Annual Meeting, Atlanta, Georgia, November 21-23, 1921.

stabilization concepts when spokesmen inveighed against "radical fluctuations" in the price level and resolved "That this conference recommends that Congress appoint a special investigating committee to examine various plans for stabilizing the dollar. . . ."[43] Congress could not be chided for responding too lightly to the request as the House Banking and Currency committee sponsored protracted hearings on stabilization in 1922, 1924, 1926, 1928 and 1932. These investigations produced not only a definitive review of the stable money controversies but a thorough reexamination of the role of the Federal Reserve System in American economic life.

Representative Thomas Alan Goldsborough of Maryland, the fifth Congressman from a family whose political service to the Eastern Shore began in the Continental Congress, introduced the Fisher Compensated dollar scheme to Congress in 1922. In so doing, Goldsborough began an association that would involve him in the wars over monetary stabilization through the climactic 1935 battle on banking reform. "Now that we have this splendid banking system," he told Congress in 1922, "it seems to me that the next step should be an attempt to prevent gradual rises or falls in general commodity prices . . . causing all concerned misery . . . and culminating in makeshift legislation, radicalism, and sometimes even in revolution and war."[44] The Maryland Congressman seemed especially cognizant of the effects of instability on his

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[43]Report of the National Agricultural Conference, January 23-27, 1922, House Document 195, 67th Cong., 2d Sess., (Washington, D. C., 1922), p. 138.

[44]U. S., Congressional Record, 67th Cong., 2d Sess., May 23, 1922, p. 7506.

rural constituency. In a speech in February 1923, Goldsborough contended that though the farmer's cost of living had risen 76 per cent between 1914 and 1922, the prices of the commodities he sold had actually fallen below prewar levels. He argued that the stabilization of the general price level would not only restore profits to the farm but would lessen the burden of debt farmers incurred during the era of war-generated inflation. He concluded, "Let us act now before the lessons of the last three years are entirely forgotten."[45]

Goldsborough managed to obtain a hearing on his stabilization proposals from the House Banking and Currency Committee in December 1922, and again in February 1924. On both occasions Fisher served as the featured witness. Testifying at the first Goldsborough hearing Fisher explained:

> The idea of the bill is simply this: Let us start out with a certain price level as standard . . . call it 100 percent. In two months the computing bureau . . . assesses the situation; it calculates the price level. Suppose it finds the price level is then not 100 percent but 101 percent. What does that mean? It means that there is a deviation above par of 1 percent, showing inflation is beginning. In other words . . . the dollar is a short dollar; it only buys 99 percent of what it should. This is remedied by the mint as soon as reported. It puts 1 percent more gold into the dollar and brings it up to par. . . .

Should the computing bureau discover that deflation rather than inflation were reflected in its indices it would ask the Mint to "unload the

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[45]A copy of the speech is contained in correspondence from Goldsborough to Honorable Louis T. McFadden, House of Representatives, January 24, 1924, Washington, D. C., H. R. 494, ACC Papers, Archives, Washington, D. C. See also T. Alan Goldsborough, "Proposed Legislation to Stabilize the Dollar," Proceedings of the Academy of Political Science, X (January 1923), pp. 32-34, and Goldsborough, "Speech to the Maryland State Banker's Association," reprinted in U. S., Congressional Record, 70th Cong., 1st Sess., May 28, 1928, pp. 10339-10341.

dollar" of 1 per cent of its gold content every two months until the dollar reached par. "So it is just like steering a bicycle or an automobile," the Yale professor lectured, "if it deviates a little you turn the wheel slightly and if that is not enough you turn it some more. . . . Nobody can steer a machine with absolute straightness; but it is amazing how straight you can steer it if you only touch the wheel a little here and there. . . ."[46]

When the second Goldsborough hearing concluded in February 1924, there were indications that farm leadership had become more aware of the stabilization controversy. Wallaces' Farmer had supported Goldsborough's initial legislative drive for the Fisher stabilized dollar. The journal editorialized during the first Goldsborough bill hearings in 1922, "While it is too much to expect that the bill will pass at this session of Congress, it is to be hoped that the hearings will educate many Congressmen as to the fundamental truth that it is the alternating periods of inflation and deflation which cause so many troubles concerning which they legislate so futilely." The editors asked subscribers to write their Congressmen to support the Fisher plan as a "step in the right direction."[47] In late 1922, the Montana State

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[46]U. S. Congress, House of Representatives, Committee on Banking and Currency, Stabilization of the Purchasing Power of Money, Hearings on H. R. 11788, 67th Cong., 4th Sess., Washington, 1922, pp. 24-25. A sympathetic review of the Goldsborough bill hearings is contained in Fisher, Stabilized Money: A History, pp. 152-57. A polemical, sprightly and decidedly anti-stabilization analysis of the hearings is presented in Lawrence, Stabilization of Prices: A Critical Study, pp. 79-92. Lawrence concluded, "Fisher's testimony is a triumph of advocacy over scholarship." Ibid., p. 191.

[47]Wallaces' Farmer, XLVII (August 25, 1922), p. 985.

Farm Bureau resolved, "We believe that farmers and the agricultural industry suffer tremendously, perhaps more than any other industry from the fluctuation in the purchasing power of money." The Montana group urged a Congressional investigation to study "the feasibility of the stabilization of the dollar."[48] Other agricultural leaders wrote the Banking and Currency Committee requesting copies of the Goldsborough hearings.[49] The first two Goldsborough bills, in contrast to similar legislation the Maryland Democrat sponsored in the 1930s, received at best only sporadic support from organized agriculture and both the 1922 and 1924 versions died in committee.

The Goldsborough hearings did enlist Congressman Olger B. Burtness into the ranks of stabilization advocates. Burtness, Republican from North Dakota, introduced his own monetary stabilization bill to Congress in December 1923.[50] The Burtness bill owed its inspiration to Dana J. Tinnes of Grand Forks, North Dakota, an economist whose stabilization convictions predated those of Fisher. The Tinnes plan differed

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[48]The Montana resolution is contained in a letter from A. H. Stafford, President of the Montana State Farm Bureau to Professor George F. Warren, Cornell University, January 19, 1923, Ithaca, New York, Warren Papers, The Collection of Regional History and University Archives, Cornell University, Ithaca, New York.

[49]Among those requesting copies of the Goldsborough hearings were Chester C. Davis, Commissioner of Agriculture for the state of Montana and Lessing J. Rosenwald of Sears Roebuck and Co., whose interest in a prosperous agricultural industry involved both he and his company in supporting monetary stabilization in the 1930s. See Senator Thomas J. Walsh to Hon. Louis T. McFadden, Chairman, Committee on Banking and Currency, House of Representatives, Washington, D. C., Record Group 46, Archives, Washington, D. C.; Ruth Nichols, Secretary to Rosenwald, to Banking and Currency Committee, April 18, 1923, Philadelphia, Ibid.

[50]U. S., Congressional Record, 68th Cong., 1st Sess., December 5, 1923, p. 34.

from the Goldsborough bill in only unimportant procedural matters as it also called for the achievement of monetary stability through manipulating the gold content of the dollar. To Burtness the need for stabilization was evident. "We need," he informed Congress, "only recall to mind farmers residing within our own districts who borrowed money during the World War . . . and then found when they had to pay the same amount back in 1922 or 1923 that they had to repay money which to them was twice as dear as that which they had borrowed."[51] Though an aggressive witness for stabilization at the second Goldsborough hearings, Burtness never managed much of a following and remained at the periphery of the stabilization movement.[52]

After the failure of the second Goldsborough bill in 1924 the leadership of the stabilization movement passed momentarily to Wisconsin University economist John Rogers Commons. Commons, notable labor economist and disciple of the New Economics, had associated his career with such causes as the social gospel, populism and La Follette progressivism. He opposed laissez-faire and favored social and economic planning--a position which squared with his conversion to managed currency doctrines.[53] Commons renewed his monetary investigations as a

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[51] Ibid., 68th Cong., 2d Sess., March 3, 1925, p. 5361.

[52] For an explanation of the differences between the Fisher and Tinnes bills by Burtness, see Ibid., pp. 5360-64. For an explanation of the Tinnes plan, see D. J. Tinnes, "The Market Gage Dollar," American Economic Review, IX (June 1919), pp. 263-66. Burtness failed reelection in 1932 and thus was removed from Congress just as the demands for monetary reform intensified.

[53] Lafayette G. Harter, Jr., John R. Commons: His Assault on Laissez-faire (Corvallis: Oregon State University Press, 1962), pp. 37-44.

result of the boom-bust cycle of 1919-1920. After his own experiments with wholesale commodity indices Commons reported that he looked upon the money question "as the most important of all labor problems."[54] Upon reading Fisher and other stabilizationists Commons "joined the labor problem with the money problem" recognizing that the business cycle devastated both the worker and his boss. "The most important labor problem," he concluded in 1927, "was the stabilization of the average of employers' wholesale prices."[55]

Commons enlisted in the crusade for stabilization in the early twenties serving as president of the National Monetary Association, 1922-1924. The Association, a successor to Fisher's Stable Money Association, suffered from conservative members seemingly more intent on preventing inflation than deflation and dissolved in 1925.[56] More successful as a propagandist and teacher for the money reform cause, Commons contributed the prestige of his scholarship to the movement in articles, speeches and in testimony before Congressional committees.[57] His most conspicuous role in the stabilization cause, however, was that

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[54]John R. Commons, Myself (New York: The Macmillan Co., 1934), p. 189.

[55]Ibid., p. 190.

[56]Ibid., p. 191; Fisher, Stable Money: A History, pp. 105-06.

[57]See John R. Commons, "Farm Prices and the Value of Gold," North American Review, CCXXV (January-February, 1928), pp. 196-211; Commons, "Price Stabilization and the Federal Reserve System," The Annalist, XXXIX (April 1, 1927), pp. 459-462; Commons, "Stabilization of Prices and Business," American Economic Review, XV (March 1925), pp. 43-52; Commons, Institutional Economics (New York: Macmillan Co., 1934). An excellent summary of Commons' overall contribution to monetary thinking is contained in Dorfman, The Economic Mind, Vol. IV, pp. 383-87.

of a one-man brain trust for Congressman James George Strong, Republican of Kansas. Strong continued the legislative fight for stable money begun by Goldsborough. The Kansas Congressman frequently consulted Commons regarding stabilization matters--the two men cooperating to draft the Strong stabilization bills of 1926 and 1928.[58]

The first Strong bill, introduced into Congress January 18, 1926, began yet another round in the stabilization controversy. The new stabilization bill, partially out of political expediency, dropped the gold manipulation features of the Compensated Dollar scheme. Emphasizing credit control rather than gold control, the measure contained only a Congressional directive to the Federal Reserve System to use "all of its powers" to promote "stability in the price level."[59] The Strong bill and its subsequent revisions resulted in hearings before the House Committee on Banking and Currency in both the 69th and 70th Congresses. The Committee hired Commons as an economic advisor and allowed him to testify at length in support of stabilization. The Strong bill hearings, if nothing else, proved the tenacious interest of students in the stabilization question as they spanned more than two

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[58]Commons, _Myself_, pp. 191-92; Harter, _Commons_, pp. 75-76; Fisher, _Stable Money: A History_, pp. 170-71; U. S., Congressional _Record_, 70th Cong., 1st Sess., March 17, 1928, p. 4926.

[59]The text of H. R. 7895 accompanied by Congressman Strong's exegesis is found in U. S., _Congressional Record_, 69th Cong., 1st Sess., February 20, 1926, pp. 4301-03. Strong's views on stabilization are also recorded in _Ibid._, 71st Cong., 1st Sess., April 17, 1929, pp. 72-73, and his interview with the press after visiting President Coolidge regarding stabilization is recorded in _New York Times_, 18 April 1927.

years and occupied 40 days of committee sessions. Translated into three languages the testimony filled 1568 pages.[60]

Throughout the testimony presented during the first Strong hearings (March 1926 to February 1927), stabilization advocates recounted the difficulties of the farmer to bolster their arguments for money reform.[61] All affirmative witnesses agreed that the advent of stable money would prove a blessing to agriculture--some asserting that the Strong proposal was the best "farm relief bill" before Congress.[62] The most extensive argument on the benefits farmers could expect from stabilization were provided by Commons. The Wisconsin economist

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[60]See U. S. Congress, House, Committee on Banking and Currency, _Stabilization: Hearings on H. R. 7895_, pts I, II, 69th Cong., 1st Sess., March 24, 25, 30, 31; April 1, 6, 8, 9, 12, 13, 14, 20, 21, 22, 27, 30; May 3, 4, 5, 6; June 10, 1926 and February 4, 1927; _Ibid._, _Stabilization: Hearings on H. R. 11806_, 70th Cong., 1st Sess., March 19, 20, 21; April 30; May 1, 2, 3, 4, 8, 9, 15, 16, 17, 18, 23, 28, 29, 1928. A sympathetic treatment of the Strong hearings is found in Fisher, _Stable Money: A History_, pp. 157-83. A good summary of the arguments made by both sides is Charles O. Hardy, _Credit Policies of the Federal Reserve System_ (Washington, D. C.: The Brookings Institution, 1932), pp. 200-26. An ably written, if skeptical review of the first Strong hearings is Lawrence, _Stabilization of Prices: A Critical Study_, pp. 113-40. Unfortunately, Lawrence's publishing date prevented him from comment on the second Strong hearings. Lawrence's views on farm relief, stabilization and production controls are recorded in "Stabilization of Prices and the Farmer's Income: The Need for Control of the Farm Supply," _The Annals of the American Academy_, CXLII (March 1929), pp. 158-69. A review of the quantity theory of money and a defense of Fisher's position is contained in Arthur F. Burns, "The Quantity Theory and Price Stabilization," _The American Economic Review_, XIX (December 1929), pp. 561-79. A balanced review is provided in Lionel D. Edie, "The 1928 Hearings on the Strong Bill," _Journal of Political Economy_, XXXVII (June 1929), pp. 340-54. See also M. K. Graham, "The Strong Bill," _Southwestern Political and Social Science Quarterly_, X (March 1930), pp. 401-08.

[61]_Hearings on H. R. 7895_, pp. 19, 57, 139-40.

[62]_Ibid._, pp. 48, 222.

theorized that nearly all businesses and labor organizations had achieved a degree of stabilization through cooperation and combination. Unfortunately farmers had remained atomistic and disorganized. "The consequence is that any oscillation of the volume of credit by the Federal Reserve System will spill over into the agricultural field . . .," and he thought effect their prices more rapidly than those industries that enjoyed combination.[63] The principal opposition witness to the Strong bill, Benjamin Strong, Governor of the New York City Federal Reserve Bank, also used an agricultural reference to debate the merits of stabilization. "What disturbs me about this proposal . . . is this," he admitted, "much of the discussion of prices recently has arisen from the great misfortune which the farmers of the country have suffered. . . ." The reserve official questioned whether the bill would encourage farmers to hold the Federal Reserve System responsible for every decline in commodity prices regardless of the cause. He complained that the bill granted the system tremendous responsibility, without providing the necessary means, which he doubted existed, to meet the new obligations placed on the nation's money managers.[64]

Stabilizationists were more sanguine than Governor Strong in their estimation of the ability of the Federal Reserve to control price levels. The two witnesses with the most direct ties to agriculture at the first Strong hearings, George H. Shibley of Illinois and Western Starr, lobbiest for the Farmer-Labor Party, accepted the "Crime of 1920" myth and believed that at its discretion the Federal Reserve could halt

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[63]Ibid., pp. 1116-17. [64]Ibid., pp. 293-301.

inflation or deflation--as the system proved, they alleged, when it precipitated the crash of 1920.[65] More sophisticated stabilizationists like Professors Commons, Fisher and the University of Missouri's James Harvey Rogers placed limitations on the ability of the System to maintain stability. Fisher, for example, distrusted the Strong bill's reliance upon credit supervision as the exclusive means of attaining stabilization. He still hoped for the adoption of his compensated dollar scheme but the Yale professor agreed that through the use of open market transactions, the substitution of gold certificates for Federal Reserve notes, the rediscount rate and moral suasion, the Federal Reserve could influence credit and achieve at least partial monetary stabilization. Along with other stabilizationists, Fisher and Commons looked upon the Strong proposal as "a first step."[66] They hoped the Strong bill would commit the nation to stabilization. Once stabilization was the acknowledged objective of national monetary policy, reformers could reopen the question as to how such a program might be implemented.

Upon conclusion of the first Strong hearings, Commons remained in Washington five months researching and writing new drafts of the stabilization bill. Consulting with various authorities including Governor Strong of the New York Federal Reserve Bank, Commons and Congressman Strong finally produced the "twelfth revision of the sixth revision" of the bill.[67] The new bill, introduced into Congress on

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[65]Shibeley's testimony is Ibid., pp. 16-17; Starr's is Ibid., p. 231.

[66]Ibid., pp. 71-75.

[67]Hearings on H. R. 11806, p. 7; Commons, Myself, pp. 191-92.

March 6, 1928, required the Federal Reserve to "maintain a stable gold standard," to publicize all decisions that might affect credit, and to research the proper methods and goals of a managed currency system.[68] The second Strong bill became the subject of House Banking and Currency committee hearings in the Spring of 1928.

Henry A. Wallace and Andrew Shearer represented farmers at the second Strong hearings when they convened in March 1928. Wallace listed his credentials to the committee as editor of Wallaces' Farmer, president of the Stable Money Association and secretary of the Corn Belt Meat Packers' Association. The Iowa editor acknowledged interest in the concept of stable money ever since he had read a Fisher article on the subject in 1913. He testified that there "is a gradual and growing interest of farmers in this problem of money," and he saw the maturing interest in stable money as analogous to the post civil war era when deflation finally forced farmers to become conscious of monetary issues. Wallace confessed that he and many other farm spokesmen favored stabilization because they were "suspicious that the Federal Reserve System may at any time start further deflation." He explained, "We are a little fearful . . . that the people who work with money . . . all have an instinctive and unconscious bias toward enhancing the purchasing power of money . . . just as," he admitted, "farm people have an unconscious bias in the direction of . . . inflation." He concluded

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[68]The bill is reprinted in Hearings on H. R. 11806, pp. 1-2.

that stabilization represented the only reasonable alternative to the traditional tug-of-war over monetary policy.[69]

Andrew Shearer spoke to the committee on behalf of the three largest farm organizations of his native state--the Grange, the Farmers' Union and the Kansas Farm Bureau which he served as vice-president. In addition he presented resolutions from the Kansas Committee of Farm Organizations, the Kansas State Board of Agriculture and the Kansas Livestock Association, endorsing stable money and the Strong bill in particular.[70] Shearer supported stabilization essentially on two grounds. Farming was a long-term commercial proposition necessitating some predictability of price levels. And he endorsed Commons' argument that farmers, unlike other business groups, had failed to combine and consequently were more susceptible to price instability.[71]

Though both Strong bills died in committee, the interest among farm groups in stabilization intensified. The Illinois Farmers' Institute, a month before the first Strong hearings convened, resolved in favor of stabilization and urged Congress to act upon the matter.[72] In December 1927, during the recess between the first and second Strong hearings, Andrew Shearer revived the Farm Bureau's interest in stable money. Shearer, a delegate to the Annual Meeting of the American Farm

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[69] Hearings on H. R. 11806, pp. 193-201.

[70] The date and text of each resolution is printed in Ibid., pp. 201-02.

[71] Ibid., pp. 202-10.

[72] The text of the resolution is reprinted in Fisher, Stable Money: A History, p. 114.

Bureau Federation, took his demand for a stable money resolution to the floor of the convention. The Kansan, an elderly gentleman and former Populist, in a speech described as "eloquent" by observers, argued that stable money "is of vital importance to the United States of America and especially to agriculture." Shearer gave credit to the Stable Money Association for its educational work on the issue and then challenged his hearers: "You farmers must understand, that it is the avowed purpose of the creditor money lending class to gradually lower the price level. . . ." He claimed that the "creditor class" was content to lower the price level "one or two per cent a year" so that "your debts are not much harder to pay and the property of the creditor classes is worth much more." Shearer's motion for the adoption of a stable money resolution received endorsement from a fellow delegate who noted, "He [Shearer] is backed up by such men as [Frank] Lowden, Irving Fisher, Henry Wallace, and numerous others in whom we have confidence." The motion carried.[73] The Farm Bureau also resolved in favor of stable money at its 1928 Annual Meeting and in 1930, the Bureau recommended that President Hoover establish a commission composed of farmers and other economic interests "to study plans and report thereon to Congress to stabilize the value of the dollar. . . ."[74]

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[73] W. R. Ogg, Comp., History of Farm Bureau's Activities for Monetary Reform (Chicago: American Farm Bureau Federation, Department of Information, 1934), mimeographed pamphlet, p. 1; Minutes of the American Farm Bureau Federation, Ninth Annual Meeting, Chicago, Ill., December 5, 6, 7, 1927, pp. 221-225.

[74] Minutes of the American Farm Bureau Federation, Tenth Annual Meeting, November 1928; Ibid., Twelfth Annual Meeting, Boston, Mass., December 5-10, 1930.

The initial response of the Farmers' Union to stabilization occurred after the first Goldsborough hearings adjourned. The Union's 1923 national convention resolved in favor of a "safe, sane, honest and stable money."[75] In 1928, the concept of stabilization seemed more precise in the minds of Farmers' Union members as their national convention affirmed:

> We believe that Congress should take such steps as are necessary to define and direct the powers of the Federal Reserve System in the inflation and deflation of the currency, and that within those defined limits, stabilization of the currency will best serve the public interest.[76]

National President Charles E. Huff, in his "Annual Report" to the Farmers' Union convention in 1930, complained that stable money needed even more intensive investigation and support from farmers than it had received. "I wish," he reported to the convention, "the Farmers' Union might quite definitely . . . through the action of its committees, give expression to its feelings and its convictions concerning the variableness in the purchasing power of money. . . ."[77] The Farmers' Union fulfilled Huff's desire as it enthusiastically endorsed stabilization efforts in the early 1930s.

With the obvious exception of Wallaces' Farmer, the farm press failed to convert to stabilization until after the Crash of 1929.

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[75]Minutes of the National Farmers' Educational and Co-Operative Union of America, Nineteenth Annual Session, Omaha, Nebraska, November 20, 21, 22, 1933, p. 57.

[76]Ibid., Twenty-fourth Annual Session, Denver, Colorado, November 20, 21, 22, 1928.

[77]Ibid., Twenty-sixth Annual Session, St. Paul, Minnesota, November 18, 19, 20, 21, 1930.

During the twenties the Rural New Yorker spotlighted the fluctuations in the value of the dollar as an unsettling factor in commercial transactions.[78] Not until 1930, however, did the magazine editorialize against "a dollar that cheats" and in favor of stabilization.[79] The principal Southern farm journal, the Progressive Farmer, later a copious supporter of stabilization efforts, had but one entry on the subject prior to 1931. The 1930 column entitled "The World's News: A Monthly Review," simply noted the work of Irving Fisher and the Stable Money League without offering any endorsement of the stable money program.[80] The Chicago-based Prairie Farmer also found stabilization good copy in 1930. Two lengthy front page articles presented stabilization propaganda in August. The articles admonished farmers to demand from political candidates "a pledge in writing" of support for the stabilization cause.[81] Along with Wallaces' Farmer these magazines anticipated the larger journalistic effort in support of stable money that characterized the farm press in the post 1930 era.

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[78]The Rural New Yorker, LXXXI (August 12, 1922), p. 1002; LXXXVI (March 12, 1927), p. 443; LXXXVIII (July 13, 1929), p. 941; LXXXIX (November 15, 1930), p. 1261.

[79]Ibid., LXXXIX (December 13, 1930), p. 1347.

[80]Progressive Farmer, XLV (December 1, 1930), p. 6.

[81]Carl Stover, "The Real Cause of 'Hard Times,'" The Prairie Farmer, CII (August 9, 1930), pp. 1, 4, 16; Stover, "How Hard Times Can Be Ended," The Prairie Farmer, pp. 1, 15, 16, 17. Another early supporter of stable money was Manufacturers Record, a journal that had cooperated with farm critics of the Federal Reserve during the "Crime of 1920" controversy. See "Stabilization of Gold Discussed by Economists and Financiers," Manufacturers Record, XCIII (February 23, 1928), pp. 1-5.

The affluent 1920s contained a paradox. On either side of "Coolidge prosperity" lay depression, especially for the nation's farmers. In an attempt to escape the roller coaster business cycle theorists produced both reasoned and dubious plans for monetary stability. It seemed logical but proved optimistic that man could smooth the troughs and the speculative heights of his own economy. In the 1920s, stabilization plans were proposed not only for monetary policy but for military affairs (the Washington Armament Conference), diplomacy (the Kellogg-Briand Act) and farmers (the Agricultural Marketing Act). In one sense stabilization, including monetary stabilization with its ancient quantity theory, was inherently regressive--an expression of the Normalcy syndrome. And yet monetary stabilization, relying on the tools of the New Economics and expressing a commendable humanitarian concern, contained modern implications. The theorists, because of the greatest depression in American history, were to have the opportunity to test their hypotheses. Farmers, victims of hard times, would insist upon it.

CHAPTER VI

FARMERS AND THE DEMAND FOR INFLATION DURING THE HOOVER ADMINISTRATION 1929-1932

Farmers looked upon the crash of 1929 with some wry satisfaction. "The farmer had his deflation in 1920," one farm paper noted, "nine years later he sees the speculators getting theirs." The journal predicted "the psychology of our farmers may improve."[1] As the crash of 1929 lengthened into the nation's greatest depression, farmers found small comfort in the knowledge that others shared their predicament. Instead, rural America, with its special familiarity with hard times, began anew the search for a way to end the crisis. That effort led farmers to monetary panaceas and the nomenclature of the money question again accented farm rhetoric. Bimetallism, symmetallism, seigniorage, free silver, gold sterilization, reflation and the honest dollar were terms that, for many, reflected the pertinent issues of the day.

Thanks to the statistical refinements of the New Economics, farmers grew acutely aware of the dimensions of their distress. Farm organizations, journals and politicians reported the gloomy indices which seemed to reinforce the notion that "deflation hits the farmer first and hardest."[2] The Prairie Farmer observed, "If Congress had

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[1]Progressive Farmer, XLIV (December 7, 1929), p. 5.

[2]"Deflation Hits the Farmer," Prairie Farmer, CIII (March 21, 1931), p. 8.

passed a law in 1926 requiring every debtor to pay back $1.30 for every dollar he had borrowed we would have had a revolution in this country." Yet due to deflation "that is just what has been done."[3] In November, 1931, the National Grange reiterated the theme when it complained that while the average of all wholesale prices had dropped 30 per cent during the preceding three years, farm prices had fallen 45 per cent.[4] During the Hoover years crunching commodity prices more than rivaled the stock market crash in producing heartache, bankruptcy and despair.

Deranged economic conditions produced the traditional scramble for monetary panaceas that characterized earlier depression eras. Inflationist monetary proposals during the Hoover Presidency ranged from the "Electric Dollar", which based currency on the consumption of kilowatts, to the more customary bimetallic and fiat money schemes.[5] As they had in past depressions, farmers demanded an inflationary monetary policy to lessen debt, raise commodity prices and restore prosperity.

A favorite recommendation of rural inflationists combined work relief and monetary expansion in public works proposals. In November 1930, the Rural New Yorker urged creation of a revolving fund of three billion dollars "to put people to work building farm to market roads."

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[3] "From the Editor's Haymow," Prairie Farmer, CIII (August 8, 1931), p. 8.

[4] Proceedings of the National Grange of the Patrons of Husbandry, 65th Annual Session, Madison, Wisconsin, November 1931, p. 175.

[5] New York Times, 27 December 1932.

The revolving fund should consist of credit circulating notes of the federal government rather than interest bearing bonds.[6] The Farmers' Union particularly favored issuance of "non-interest bearing legal tender bond currency" to finance work relief projects. The Greenback bond currency called for in the Union's plan allowed the government to pay for work projects without paying interest to bond holders. A tax on gasoline could eventually retire the bonds. At its 1930 national convention, a Farmers' Union delegate explained "Down in Washington there is a National Treasury. They have a printing press . . . and it doesn't cost any more to print $1,000 than it does $1."[7] In early 1931, Jacob S. Coxey resurfaced and with the aid of Senator Heflin of Alabama produced a bill that called upon Congress to implement a noninterest bearing bond program.[8]

Farmer inflationists also urged currency expansion during the early 1930s. Oklahoma Senator Elmer Thomas, eventual leader of the Senate inflation bloc, presented a typical plea for currency expansion in February 1931. Contrasting the inflation year 1919 with the depression year 1930, the Senator argued that though prices were high in the postwar year, "every man had a job" and "there was no hunger in

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[6] Rural New Yorker, LXXXIX (November 15, 1930), p. 1261.

[7] Minutes of the Farmers' Educational and Co-operative Union of America, 26th National Convention, St. Paul, Minnesota, November 18-21, 1930), pp. 47-49. See also Ibid., 27th National Convention, Des Moines, Iowa, November 17-18, 1931, p. 40, and John A. Simpson, "To the Membership," Oklahoma Union Farmer, XII (January 15, 1931), pp. 1, 3; and John A. Simpson, "To the Membership," Oklahoma Union Farmer, XII (July 15, 1931), p. 1.

[8] U. S., Congressional Record, 71st Cong., 3d Sess., February 20, 1931, p. 5597.

those days. Here in 1930 we had the lowest circulation since 1914," and millions were out of work. According to the Oklahoman these figures offered "positive proof" of the correlation between commodity prices and the amount of money in circulation.[9]

Increasing the supply of money was a remedy easily understood and acceptable to agriculturalists. Wallaces' Farmer, as did other farm papers, advocated an easy money policy including currency expansion.[10] The Farmers' Exchange of Indiana launched a drive for expansion of the money supply in early 1931. The Indiana farm paper advocated an involved scheme that called for the Federal Farm Loan Board to issue bonds against farm mortgages and exchange the bonds for currency at Federal Reserve banks. In brief, the plan proposed to refinance farm loans, expand the currency and transform debt into an asset.[11] One of the more popular rural stump speakers of the early 1930s, John A. Simpson, President of the Farmers' Union, charged that the depression resulted from the conspiracy of "international bankers who began the deflation process in May 1920." Restoration of good

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[9]Ibid., February 13, 1931, pp. 4787-93. See also Ibid., 72d Cong., 1st Sess., January 4, 1932, pp. 1195-96.

[10]"Contracting the Currency," Wallaces' Farmer, LV (March 15, 1930), p. 6; "The Money Situation," Ibid., (June 14, 1930), p. 4; "Contracting the Currency," Ibid., (September 20, 1930), p. 4. See also U. S., Congressional Record, S. Res. 367, 71st Cong., 3d Sess., January 5, 1931, pp. 1361-63.

[11]"What the Farmer's Exchange Suggests," Farmer's Exchange (New Paris, Indiana), V (July 3, 1931), p. 1. See also U. S., Congressional Record, S. Res. 359, 71st Cong., 3d Sess., December 8, 1930, p. 316.

times awaited only a decision to produce "a big crop of money" and reverse the deflation process.[12]

Gold repricing proved a more respectable inflationary device than either printing press bonds or fiat money. A popular notion developed that the depression resulted from an insufficient supply of gold which in turn forced a decline in price levels. The proponents of the gold scarcity theory explained that even though the government decreed 23.22 grains of gold equal to $1, the actual purchasing power of the dollar depended on the supply and demand for bullion. When gold was scarce its value increased in relation to commodities and prices declined. Conversely, when gold was abundant prices rose. Critics of the traditional gold standard complained that during the postwar era gold production failed to keep pace with the expansion of business. The limited availability of gold resulted in a downward readjustment of prices and eventually world depression.[13]

The high priest of the gold repricing movement in the 1930s was Cornell's George Frederick Warren, professor of agricultural economics.[14]

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[12] Rochelle News (Illinois), September 17, 1931, p. 1. See also "Nationalize Money," Oklahoma Union Farmer, XII (October 15, 1931), p. 4. Wyoming's Republican Senator Robert D. Carey also urged "a reasonable inflation of the currency." See New York Times, 24 July 1931.

[13] See for example, John R. Commons, "Farm Prices and the Value of Gold," The North American Review, CCXXV (February 1928), pp. 196-211; Lionel D. Edie, "An International Viewpoint on Commodity Prices--Long Decline in Prospect," The Annalist, XXXII (November 16, 1928), pp. 773-774. Edie's views were reported in the New York Times, 28 December 1927. A popular contemporary exposé of the inadequacies of the gold standard was James Harvey Rogers, America Weighs Her Gold (New Haven: Yale University Press, 1931), 237 pages.

[14] Warren developed his gold theories with the aid of co-author and Cornell colleague Frank A. Pearson. Pearson, a former student of

A specialist in farm management, Warren grew interested in commodity prices as a result of a childhood spent among the Greenbackers, and Populists of Nebraska and the price aberrations of 1919-1920.[15] During the 1920s Warren expressed pessimism about the future of farm prices and predicted the industry would experience "a long period of distress."[16] A convert to the stabilizationist position, Warren held that the only hope for farmers was the restoration of an "equitable price level" and the discovery of "a stable medium of exchange." "The average turnover in agriculture is between seven and eight years," he wrote. "No one can decide whether to lay a tile drain or not until he first knows something of the probable changes in the general price level for the next twenty years."[17]

Familiar with the stabilizationist proposals and Fisher's compensated dollar scheme, Warren apparently failed to include gold as a significant factor in determining price levels until about 1930. Henry A. Wallace remembered that "In my first talks with Warren [in the latter 1920s] I did not find him enthusiastic about the idea of

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Warren's, served happily behind the scenes as his mentor's research and statistical associate. See Frank A. Pearson, "This and That," (a typed speech, February 24, 1958), 31 pages, Pearson Papers, Cornell University.

[15]An article length biography of Warren is Frank A. Pearson and W. I. Myers, "The Fact Finder," Farm Economics, Department of Agricultural Economics, New York State College of Agriculture, Ithaca, No. 208 (February 1957), pp. 5470-516.

[16]George F. Warren, "The Agricultural Depression--Its Causes and Remedies," mimeographed (May 5, 1924), 5 pages, Pearson Papers, Cornell University.

[17]Warren to Edwin R. A. Seligman, 5 May 1924, Warren Papers, Cornell University.

increasing the price of gold to keep the price level from going down."[18] Warren first endorsed the gold scarcity thesis in a paper he presented to the International Conference of Agricultural Economists in August, 1930.[19] The intellectual catalyst that convinced Warren and his associate Frank A. Pearson that gold bore a causal relationship to the depression was the interim report of the gold delegation of the League of Nations published in the summer of 1930. The report gave further credence to the gold scarcity thesis suggesting that a serious world gold shortage might surface as early as 1934. Of special interest to the Cornellians was the section written by Joseph Kitchen which presented a historical and statistical analysis of the relationship of gold to commodity prices in Great Britain.[20] "When we saw that we went to work," Pearson recalled. "We found out we had too little gold supply to support the prices of the twenties."[21]

Warren prided himself on his personal dictum--"Get the Facts." The quantitative methodology he and Pearson used produced a plethora of charts, graphs and statistical data. Applying similar techniques in

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[18]Wallace believed that it was not until New York farmers were "really hurt" about 1930 that his conversations with Warren and Pearson regarding gold pricing received support. See Henry A. Wallace, "Further Facts on Raising the Price of Gold," Journal of Farm Economics, XL (August 1958), p. 711; and compare Wallace to Pearson, 11 April 1957, 22 pages, Pearson Papers, Cornell University.

[19]Diary of George Warren, 22 August 1930, Warren Papers, Cornell University.

[20]Joseph Kitchen, Interim Report of the Gold Delegation of the Financial Committee, League of Nations, Document C 375, September 8, 1930, pp. 79-85.

[21]Frank A. Pearson, personal interview with the author, 201 Worth Street, Ithaca, New York, 9 June 1968.

the effort to explain the origins of the depression, Warren discovered economists had advanced 118 causes for the catastrophe. "Such a babble of confusion," he wrote, "merely means that the cause is unknown. . . . The present depression is not an act of God for the purification of men's souls." Warren also eliminated explanations which credited the depression to the business cycle, extravagant living, overproduction, too great efficiency, or lack of confidence. The statistics, he concluded, demonstrated that the depression "is due to world-wide, violent demands for gold following a period of low demand for gold."[22]

Warren effectively evangelized farmers on behalf of gold. He frequently contributed articles to the agricultural press and his ideas often appeared on their editorial pages.[23] He lectured before scholarly forums and the state and national meetings of farm groups such as the American Farm Bureau, the Grange and the Dairymen's League.[24] His message after 1930 was substantially the same: After the war one country after another attempted to reestablish the gold standard in order to restore confidence. This new rush for gold created a "phenomenal demand" which resulted in a "gold panic" at a time when production was

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[22]Pearson and Myers, "The Fact Finder," pp. 5509-10.

[23]Between 1930 and his death on May 24, 1933, Warren's bibliography listed sixty-six articles of which the majority pertained to gold and prices. See "Writings of G. F. Warren," mimeographed (n.d.), 11 pages, Warren Papers, Cornell University.

[24]For example, Warren spoke to the national convention of the American Farm Bureau on monetary matters in 1930, 1931, and 1932. Pearson and Myers estimated that in 1932, Warren spoke at fifty-four "one night stands" to over 14,000 listeners. In addition, he spoke twice during the year on national radio broadcasts. Pearson and Myers, "The Fact Finder," p. 5501.

actually decreasing. Because gold became relatively scarce and expensive, commodity prices fell and the world suffered from deflation and depression. The remedy lay in raising and stabilizing the price structure. Toward that end credit expansion, new gold production, and economies in the use of gold offered limited relief. But silver remonetization and particularly gold devaluation held more promise and should be relied upon as the principal tools to restore prices and prosperity.[25] He believed that the alternative to a monetary remedy "is the completion of the process of price collapse."[26]

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[25]Warren and Pearson developed a five factor price equation. The theory stated that commodity prices were equal to the world supply of gold and commodities divided by the world demand for gold and commodities and multiplied by the currency price of gold. See Frank A. Pearson, W. I. Myers, and A. R. Gans, "Gold and Prices," Farm Economics, Department of Agricultural Economics, New York State College of Agriculture, Ithaca, No. 209 (March 1957), pp. 5518-36.

Warren and Pearson pressed their thesis in both popular and scholarly forums. A sample of their work for the farm press was Warren and Pearson, "Price and Gold," Farm Journal, LV (November 1931), pp. 7-8; Warren and Pearson, "Money is the Trouble," Farm Journal, LVI (May 1932), p. 7; Warren, "Gold and Its Effect on Prices," Dairymen's League News, XVI (January 24, 1933), p. 1; Warren, "Make Gold Our Servant--Not Our Master," Successful Farming, XXXI (March 1933), pp. 16, 26; Warren, "Demand for Gold Caused the Depression," Successful Farming, XXXI (April 1933), pp. 10, 16, 37.

A more academic discussion of their price theory is contained in Warren and Pearson, Prices (New York: John Wiley and Sons, 1933), 386 pages; Warren and Pearson, Gold and Prices (New York: John Wiley and Sons, Inc., 1935), 755 pages; Warren and Pearson, "The Future of the General Price Level," Journal of Farm Economics, XIV (January 1932), pp. 23-46; Warren, "Some Statistics on the Gold Situation," American Economic Review Supplement, XXIV (March 1934), pp. 111-129.

Two critical reviews of the Warren-Pearson price theory were Charles O. Hardy, Is There Enough Gold? (Washington, D. C., The Brookings Institution, 1936), pp. 127-73; and Walter E. Spahr, The Monetary Theories of Warren and Pearson (New York: Farrar and Rinehart Press, 1934). See also Paul A. Eke, "The Relation of AAA Reductions to Gold Prices and Purchasing Power of Cotton," Journal of Farm Economics, XVIII (November 1936), pp. 761-65.

[26]Warren and Pearson, "The Future of the General Price Level," p. 45.

New York and New England agriculturalists lionized Warren. A generation of New York Farmers adored the professor, attracted to his homespun advice and practical wit.[27] Such quips as "most adjustments in farming are made by the sheriff or the undertaker," made him a popular speaker at state fair "Farm Day" lectures throughout New England and as far west as his native Nebraska. Thanks to his political abilities and his association with Cornell, Warren served as a prime mover in uniting the divergent agricultural organizations of New York into a coordinated lobbying force called the Conference Board of Farm Organizations.[28] The Professor also helped Governor Roosevelt create the Governor's Agricultural Advisory Commission which counseled the state executive in such matters as reforestation, land use, gas taxes, and freight rates. Once a month the leaders of the major New York agricultural associations--the Farm Bureau, the Grange, the Dairymen's League and the cooperative Grange League Federation--met for breakfast at the Ithaca Hotel for a discussion with Warren and Pearson of the farmers' current economic and political problems. Often the conversation drifted to monetary matters.[29]

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[27]Respect by New York agriculturalists for Warren is underscored in two interviews recorded by the Cornell Oral History Program. See the interview of Fred Sexauer, President of the New York Dairymen's League by Gould Coleman, 1963, pp. 114, 144-55, and the interview of Edward Foster, Secretary of the New York State Farm Bureau by Gould Coleman, 1965, pp. 75-80, 135-36. See also letters from farmers to Warren in the Pearson Papers, Cornell University.

[28]For example see "Report of the Executive Committee of Conference Board of Farm Organizations," mimeographed (Ithaca, New York, October 26, 1931), 3 pages, Dairymen's League Papers, Cornell University.

[29]Foster Oral History, pp. 128-31.

Warren's Empire State residency provided him with the necessary connections to influence national opinion. As a New Yorker he became acquainted with many of those who would administer the New Deal. Henry Morgenthau, Jr., studied under him. Henry A. Wallace often lectured at Cornell's Agricultural Short Course and Governor Roosevelt consulted the Cornell professor regarding farm problems. During a December 1930 visit to the Governor's farm at Warm Springs, Georgia, Warren approached Roosevelt about the gold question. As Roosevelt drove his guests "between stumps, and over stumps and all through the woods," they explored the intricacies of gold. The Governor admitted that he had "an interest" in gold. "In talking with him," Warren recorded in his diary: "I came to the conclusion that he had a much better understanding of it than most economists."[30]

The gold scarcity thesis proved attractive to farmers as it diverted attention from surplus commodities and freed apologists to blame banking authorities, government policy, and fate for their misfortune. In its first editorial after the 1929 October stock market plunge, Wallaces' Farmer warned, "There is the most serious danger that the gold shortage will cause a long, slow decline in prices of all kinds, which will be especially hard on farmers because they owe so much money."[31] Variations on the theme were repeated in a crescendo

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[30]Diary of George F. Warren, 7 December 1930, Warren Papers, Cornell University. On April 9, 1930, Roosevelt offered Warren an appointment on the Public Service Commission for $15,000 a year. Warren declined. See Ibid., April 9, 1930, Warren Papers, Cornell University.

[31]"Gold Shortage and the Farmer," Wallaces' Farmer, LIV (November 2, 1929), p. 4.

of farm editorials and resolutions during the Hoover Administration. In the farm rhetoric of the early 1930s the gold standard rivaled the Federal Reserve System as the bogeyman of farm prosperity. The clamor against gold contributed to the growing sentiment for stabilizationists schemes, strengthened the position of the bimetallists and prepared public opinion for the monetary experiments of the New Deal.[32]

The almost monotonous descent of commodity prices renewed farmers' interest in inflation and stabilization proposals. Beginning about 1931, the farm effort to achieve an "honest money" system intensified. In November 1930, Wallaces' Farmer urged Congressmen from farm states to put stabilization "at the head of the list" of legislative priorities.[33] During November the National Grange and the Farmer's Union resolved to support efforts to stabilize the dollar, and the American Farm Bureau Federation at its national convention in early December asked President Hoover to appoint a commission "composed of

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[32]The gold scarcity theme received emphasis in the following sample of editorials and resolutions: "Prices and Money," Prairie Farmer, CII (March 29, 1930), p. 8; "Gold Reserves and Deflation," Wallaces' Farmer, LV (July 26, 1930), p. 4; "The World Gold Supply," Wallaces' Farmer, LV (September 6, 1930), p. 4; "The Business Depression," Rural New Yorker, LXXXIX (November 15, 1930), p. 1261; Arthur Capper, "Country Needs the 100-Cent Dollar," Capper's Weekly, LVI (October 3, 1931), p. 2; "Does Prosperity Depend on Gold?," American Agriculturalist, XIV (November 14, 1931), p. 1; "Sterilization of Gold," Wallaces' Farmer, LVII (February 6, 1932), p. 6; Proceedings of the National Grange of the Patrons of Husbandry, "Resolution on Stabilization," 64th Annual Session, Rochester, New York, November 18, 1930, p. 21; Ibid., 65th Annual Session, Madison, Wisconsin, November 31, 1931, pp. 18, 175; and "Gold Devaluation Asked by the American Farm Bureau Federation," New York Times, September 10, 1932.

[33]"Fight for Honest Money," Wallaces' Farmer, LV (November 22, 1930), p. 5.

farmers, bankers and economists" to study the matter and report to Congress on the most useful stabilization plans.[34]

Among farm papers Illinois' Prairie Farmer waged the most enthusiastic campaign for stabilization during 1931. The journal's editor, Clifford V. Gregory, in February asked President Hoover to call a special session of Congress to enact stabilization legislation. The paper frequently quoted Warren's arguments against gold and when actions from the Administration seemed unlikely the magazine proposed a "Five-Year Plan" for American agriculture. The heart of the plan contained an amendment which directed the Federal Reserve Board to initiate sufficient inflation so that "the average wholesale price levels of 1926" returned. Once 1926 price levels reappeared the Federal Reserve was to "adjust the supply of money and credit" so as to insure stable price levels. "The people of the country are not radicals," Gregory wrote. "All they want is honest money that is worth as much this year as last, and not more."[35] Meanwhile, during the late summer and autumn

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[34]Proceedings of the National Grange of the Patrons of Husbandry, 64th Annual Session, Rochester, New York, November 12-21, 1930, p. 154; Minutes of the National Farmers' Educational and Co-Operative Union of America, 26th Annual Session, St. Paul, Minnesota, November 18-21, 1930; Minutes of the American Farm Bureau Federation, 12th Annual Meeting, Boston, Massachusetts, December 5-10, 1930.

[35]"From the Editor's Haymow," Prairie Farmer, CIII (February 14, 1931), p. 8. The column "From the Editor's Haymow," written by Gregory, continued to support inflation and stabilization throughout 1931. See the following issues: (February 28, 1931), p. 8; (May 30, 1931), p. 8; (June 13, 1931), p. 8; (August 8, 1931), p. 8; (October 31, 1931), p. 8; (November 14, 1931), p. 8. See also Clifford V. Gregory, "Three-Year Plan for Agriculture: How to Bring Back Farm Prosperity," Prairie Farmer, CIII (October 3, 1931), pp. 3, 5, 16, 20; and "Agriculture Needs a Five-Year Plan: With Not Enough Money to Go Around, How Are We Going to Get Our Share?," Prairie Farmer, CIII (November 14, 1931), pp. 3, 16.

of 1931, more than ten thousand readers replied "yes" to a Wallaces' Farmer ballot that asked, "Do You Want an Honest Dollar?" The ballots urged Congress to act promptly on inflation and monetary legislation.[36]

The American Farm Bureau Federation organized the drive for stabilization in 1931. In early January a group of Farm Bureau executives met with President Hoover and urged him to appoint a commission to investigate stabilization proposals. When Hoover proved unresponsive officers of Midwestern Farm Bureaus, meeting at Madison, Wisconsin, petitioned the National Bureau to create a committee to review monetary proposals. Edward A. O'Neal, newly elected President of the American Farm Bureau, complied with the Madison request and appointed the Committee on the Stabilization of the Unit of Value. The committee included three farm journal editors--Henry A. Wallace, Clifford V. Gregory, and C. A. Cobb; professors John R. Commons and George F. Warren; Congressman Christian W. Ramseyer of Iowa; Andrew Shearer of Kansas and the state farm Bureau Presidents of Kansas, Iowa, New York, California and Illinois.[37]

The Committee on Stabilization of the Unit of Value met first during September at the Farm Bureau headquarters in Chicago. The conferees agreed that farm prosperity depended on an advance in commodity

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[36]Henry A. Wallace recalled the ballot campaign in testimony presented to U. S. Congress, House Subcommittee of the Committee on Banking and Currency, Stabilization of Commodity Prices: Hearings on H. R. 10517, 72d Congress, 1st Sess., 1932, pp. 51-52.

[37]W. R. Ogg, comp., "History of Farm Bureau's Activities for Monetary Reform," mimeographed (Chicago: American Farm Bureau Federation Department of Information, 1934), pp. 1-2; "A. F. B. F. Urges Studying of Dollar Stabilization," American Farm Bureau Federation Weekly News Letter, X (January 13, 1931), p. 2.

prices and that an increase in price levels awaited monetary reform. Among the more popular suggestions for providing inflation and stabilization were the Fisher commodity dollar, issuance of fiat currency, and government purchases of farm mortgages. The September conference, though based on some commonly shared conceptions about the need for monetary action, proved but a searching and inconclusive beginning for the committee.[38]

The Farm Bureau stabilization committee reconvened at Chicago in October. Professor Fisher, present at the second round of deliberations, served in an "advisory capacity" while John R. Commons, a committeeman, brought four University of Wisconsin graduate students to aid in the proceedings. The academicians and the agrarians agreed that farmers faced two alternatives: either "wholesale bankruptcy" or salvation through inflation and stabilization of the purchasing power of money."[39]

After further deliberations, including presentation of their conclusions to the Farm Bureau's board of directors, the stabilization committee published a summary of its findings in a thirty-four page pamphlet entitled "Honest Money." Every Farm Bureau in the country

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[38]"Dollar Stabilization Conference Called," American Farm Bureau Federation Weekly News Letter, X (September 15, 1931), p. 1. See also New York Times, 16 September 1931, 18 September 1931, 25 September 1931, and Ralph Snyder, Chairman of the American Farm Bureau Federation Committee on the Stabilization of the Unit of Value to the editor, New York Times, 29 September 1931.

[39]Ogg, "History of Farm Bureau's Activities," p. 2; "Stabilization Committee Makes Recommendations," American Farm Bureau Federation Weekly News Letter, X (October 13, 1931), pp. 1, 3; "AFBF Committee Advances in Stabilization Efforts," X (November 3, 1931), p. 3.

received at least one of the 25,000 printed copies, with a letter from national Farm Bureau headquarters urging local study and support of the Committee's monetary program. The pamphlet, evenly divided between an essay section and a question-and-answer piece reminiscent of the Socratic method employed in Conn's Financial School, twice in its foreward described the money question as of "fundamental importance" to agriculture.[40]

The pamphlet provided a popular synthesis of the Fisher-Commons stabilization argument and the Warren-Pearson gold scarcity thesis. Essentially the argument stated that America had amply demonstrated its ability to produce, but had failed to distribute wealth in a rational manner. The principal weakness of the distributive system emanated from the fluctuations of the purchasing power of the dollar. The pamphlet noted that the average wholesale price of farm commodities dropped 58 per cent between 1926 and 1931, while at the same time the farmer's burden of debt and taxes rose $1.70. The tract proclaimed that a dollar whose value lurched with each fluctuation in the gold supply or vacillated with banker's manipulation of credit policy was inherently dishonest.[41]

To restore the dollar's integrity the stabilization committee offered two recommendations: "Restore the wholesale commodity level to a point somewhere near that at the beginning of the present deflation"

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[40]"Honest Money: An Explanation of the Relation of Money, Prices and Prosperity," (Chicago: American Farm Bureau Federation, January 7, 1932), 34 pages. Clifford V. Gregory served as the pamphlet's primary author.

[41]Ibid., p. 7.

and "Stabilize the price level at that point." Inflation of the price level could be achieved through a number of devices: open market purchases, lower discount rates, and liberal rediscount eligibility rules. Other inflationary alternatives included: dollar devaluation, fiat money issue, silver remonetization and symmetalism. Regardless of the method the committee concluded "Inflationary measures should be applied promptly."[42]

After its discussion of the ills and cures of deflation, "Honest Money" called for Congress to stabilize the buying power of money. The booklet requested an amendment to the Federal Reserve Act that would force the Reserve System to use its monetary and credit powers to maintain a stable price level. In addition, Congress was to grant the Reserve System new powers including the right to raise or lower the price of gold and the option to change the Reserve requirement of Federal Reserve Banks. Congress was also asked to direct the Federal Reserve to expand credit "steadily at the rate of four per cent a year" to provide for stable economic growth and to sponsor an international conference to "devise . . . plans to maintain world monetary stability." Finally, "Honest Money" urged Congress to adopt the Farm Bureau's monetary program without delay.[43]

The work of the stabilization committee influenced the proceedings of the Farm Bureau's national meeting in December 1931. Both President O'Neal and Congressman Ramseyer spoke to the convention on the need for inflation, monetary reform and stabilization.

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[42] _Ibid._, pp. 12-15. [43] _Ibid._, pp. 15-16.

The convention adopted a lengthy resolution entitled "The Monetary Problem," which cataloged the consequences of deflation and claimed "The principal cause of the deflation is monetary." The resolution closely followed the recommendations of the national committee and urged Congress to pass inflation and stabilization measures.[44]

Three weeks before the Farm Bureau acted upon reflation and stabilization, the Grange held its Annual Session at Madison, Wisconsin. In addressing the Grange convention, National Master Louis J. Taber endorsed the gold shortage thesis and concluded that "monetary stabilization . . . is the most important single issue confronting agriculture and the nation."[45] Clifford V. Gregory, editor of the Prairie Farmer and member of the Farm Bureau's national committee on stabilization, also spoke to the convention on monetary reform and the need for price stabilization. The convention resolved for the restoration of 1926 prices and monetary stabilization. The "honest money" policy approved by the delegates asked for the convening of an international monetary conference to stabilize silver in terms of gold and gold in terms of commodities. The grange session indicated its readiness to cooperate with other organizations in the drive for monetary reform.[46]

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[44]Minutes of the American Farm Bureau Federation, Thirteenth Annual Convention, Chicago, Illinois, December 8, 1931, pp. 145-53; "Resolutions Adopted by A.F.B.F. Voting Delegates at Annual Meeting," American Farm Bureau Federation Weekly News Letter, X (December 10, 1931), p. 3; "Quotes From Thirteenth Annual A.F.B.F. Convention," American Farm Bureau Federation Weekly News Letter, X (December 15, 1931), p. 3.

[45]Proceedings of the National Grange of the Patrons of Husbandry, 65th Annual Session, November 1931, Madison, Wisconsin, p. 18.

[46]Ibid., p. 175. The Farmer's Union convened its national convention in November and resolved that Congress reclaim from the

During 1931, farm economists, editors, and the "big three" agricultural organizations reopened the money question. The New York Times fretted over the "revival of agrarian projects for easy money," and columnist Mark Sullivan presented his readers with an essay entitled "Money Question Is Being Fanned Into Flames for Battle of 1932."[47] The question had been asked before, but by the beginning of 1932, agrarians grew confident they possessed the answer to their indebtedness and low commodity prices--inflation then stabilization.

In 1932 and 1933, the "Golden Age" of cooperation began among the big three farm organizations: the Grange, the Farmers' Union, and the American Farm Bureau.[48] Upon assuming the Presidency of the Farm Bureau in May 1931, Edward A. O'Neal, a politically shrewd Alabamian, instigated the movement to achieve a "unified farm program."[49]

"international bankers" the authority to coin and regulate the value of money. What was needed, the Union declared, was a vast new "money crop" made up of greenbacks to finance public improvements. See Minutes of the National Convention Farmers' Educational and Cooperative Union of America, Twenty-seventh Annual Session, Des Moines, Iowa, November 17, 18, 1931, pp. 14-20; "Resolutions Outline Union Program for 1932," Oklahoma Union Farmer, XII (December 1, 1931), p. 1. A summary of the monetary demands of the "big three" farm organizations is provided in "Want Honey Money and Co-op Marketing," Prairie Farmer, CIII (December 12, 1931), pp. 3, 4.

[47]New York Times, 16 September 1931; Mark Sullivan, "Money Question Is Being Fanned Into Flames for Battle of 1932," Daily Oklahoman, 1931.

[48]The description, an apt one, is that of Fred Sexauer, President of the Dairymen's League. See Sexauer Oral History, p. 156.

[49]O'Neal took office April 29, 1931, and called for all organized farm groups to gather in Chicago, May 18, "to develop a close working relationship between all branches of organized agriculture." See American Farm Bureau Federation Weekly News Letter, X (May 5, 1931), p. 1; "AFBF Proposes A United Agriculture," Ibid., (May 19, 1931), p. 1; "Second Agricultural 'Unity' Conference Called," Ibid., (June 9, 1931), pp. 1, 2.

A variety of influences, including the depressed economy, worked to aid O'Neal in the quest for agricultural brotherhood. But the common denominator for the new alliance was the demand for monetary reform and the initial test of the coalition was the 1932 campaign to achieve Congressionally mandated inflation and stabilization.

The national farm conferences held in Washington, D. C., January 6-9, 1932, demonstrated the importance of teamwork and monetary issues to farm thinking. The January meetings were arranged when the leadership of the "big three" farm organizations agreed to write a common farm program to present to the new session of Congress. The four day gathering produced a six-point legislative package though the money question remained the most time-consuming and intently discussed issue before the conference.[50] The organizations caucused independently on Wednesday, January 6, while on the following day the participants joined in group discussions. On Friday, January 8, the authors of pending stabilization bills, Congressmen Ramseyer, Strong, Goldsborough, and Burtness explained the merits of their proposals and discussed the likelihood of monetary legislation in the coming session. On Saturday, the farm delegates caucused with more than one hundred Congressmen including Henry B. Steagall, Chairman of the House Banking and Currency Committee. At the Saturday session the Congressmen heard Charles R.

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[50]The six-point legislative package included resolutions on the Agricultural Marketing Act, federal taxation, money stabilization, the tariff, Philippine Independence and speculation. See "Resolutions of the National Grange, the Farmers Educational and Cooperative Union of America and the American Farm Bureau Federation Adopted by National Officers and Legislative Representatives," pamphlet (Washington, D. C., n.p., January 6, 7, 8, 1932), 7 pages.

White, President of the New York State Farm Bureau, explain the farm conference's resolution on money. The resolution complained that deflation of the price level had gone to "disastrous lengths" and that stabilization legislation was essential because "We cannot exist with rubber money and iron debts." During the noon hour the Presidents of the three farm organizations appeared on a nationwide unity broadcast to explain their new program.[51]

The Januarv conferences evinced the irrepressible demand for inflation that characterized rural opinion during 1932. In the early months of the year a myriad of inflationary proposals titillated the imaginations of congressmen, the rural press, and organized farm groups.[52] In spite of the New York Times' editorial bias against monetary tinkering, its pages illustrated the clamour for inflation in January and February. On January 11, in Washington, Oklahoma's eccentric Governor Alfalfa Bill Murray outlined a plan for state banks to issue their own currency and thus escape the "clutches of Wall Street."[53]

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[51]"Organized Agriculture Unites for Legislation," American Farm Bureau Federation Weekly News Letter (December 22, 1931), p. 1; "Eyes of Farm Bureau World Center on Washington," Ibid., (January 5, 1932), p. 1; "Farmer Presents United Front on Capitol Hill," Ibid., (January 12, 1932), pp. 1-2; "Wanted An Honest Dollar," Ibid., (February 1, 1932), pp. 4, 5, 7; "United We Stand," Ibid., (March 1932), pp. 4-7, 20, 21; "Team Work At Last," The National Grange Monthly, XXIX (February 1932), p. 10; "Sound Monetary Program Demanded by American Agriculture Joint Resolutions Tenaciously [sic] Passed by Three National Farm Groups," Press release for morning papers, January 8, 1932 (Washington, American Farm Bureau Federation, Department of Information), three pages; Ogg, "History of Farm Bureau's Activities for Monetary Reform," p. 3.

[52]See for example the following bills introduced into the 72d Congress, 1st session: HR 20, HR 128, HR 6712, HR 7800, HR 8246, and HR 10280.

[53]New York Times, 19 January 1932.

During the same month Senators David Walsh of Massachusetts and Arthur Capper of Kansas and Governor Gifford Pinchot of Pennsylvania proposed inflationary currency schemes. Pinchot suggested the government issue five billion in bonds for public works on the grounds that it would "increase the value of farm products."[54] On separate occasions William J. Bryan, Jr., John A. Simpson of the Farmers' Union, Senator Key Pittman of Nevada, the delegates of the Western States Silver Conference, and Senator Burton K. Wheeler of Montana supported silver remonetization.[55] During the first week of February, Wheeler welcomed 70 representatives of the Farmers' Union from nine Middle Western States to hearings on his 16-to-1 proposal.[56] Meanwhile milder inflationists backed the Glass-Steagall banking bill while more arduous ones demanded the immediate payment of the veterans bonus.[57] Discomfited by the inflationary milieu, the Administration during January announced that its program for recovery excluded easy money schemes and relied upon a balanced budget and tax increases.[58] Despite such reassurances, in February, the Federal Reserve at the request of the Treasury began buying government securities in an effort to expand the currency supply. Authorities admitted that the new policy resulted from Congressional

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[54] New York Times, 16 January 1932, 17 January 1932, 29 January 1932.

[55] New York Times, 19 January 1932, 7 February 1932, 12 February 1932, 17 February 1932, 26 January 1932.

[56] Ibid., 5 February 1932.

[57] Ibid., 11 February 1932, 10 April 1932.

[58] Ibid., 17 January 1932, 28 January 1932.

pressures for inflation.[59] The farm press, gleeful at the turn of events, reported not only that "Inflation is on the way," but that "Farmers can take credit for forcing action."[60]

Out of the kaleidoscope of inflation agitation, organized agriculture in March focused its demands on the Goldsborough bill. The bill, the namesake of Representative T. Allen Goldsborough of Maryland, who authored similar legislation in the early twenties, directed the Federal Reserve to raise the price level "as speedily as possible" and to stabilize prices once recovery occurred. The measure also granted the Reserve System greater flexibility in the sale of government securities and conferred the authority to alter the price of gold.[61] In an impressive drive to convert the Administration and Congress to the principles of the Goldsborough bill, organized agriculture hired Washington lobbyists, interviewed President Hoover, appeared before

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[59]Milton Friedman and Anna Jacobson Schwartz, A Monetary History of the United States, 1867-1960 (Princeton: National Bureau of Economic Research, 1963), pp. 384-389.

[60]"No More Deflation," Wallaces' Farmer, LVII (March 5, 1932), p. 1; "The Root of All Evil," American Agriculturalists, CXXIX (January 16, 1932); "The Monetary Problem," The Illinois Agricultural Association Record, X (March 1932), p. 5; "Should All Prices Go Up or Down," American Agriculturalist, CXXIX (April 2, 1932), p. 4; "Prices Were Stable Once," Wallaces' Farmer, LVII (April 2, 1932), p. 8; "Fight for Reflation is Gaining," Wallaces' Farmer, LVII (April 30, 1932), p. 1. Both February issues of the American Farm Bureau Federation Weekly News Letter and the National Grange Monthly were dedicated to the money issue. See also Bernard Ostrolenk, "Inflation Trends in America," Current History, XXXV (March 1932), pp. 773-780, who conceded "Powerful elements in the United States are agitating for inflation . . ." and predicted the abandonment of the gold standard.

[61]H.R. 10517 is reprinted in U. S. Congress, House, Subcommittee of the Committee on Banking and Currency, Stabilization of Commodity Prices, Hearings on H. R. 10517, 62d Cong., 1st Sess., 1932, p. 1.

Congressional committees and broadcast appeals over the radio networks.[62] Excepting the effort to obtain the Agricultural Marketing Act, the campaign for monetary reform during the spring of 1932 was organized agriculture's most aggressive performance during the years of the Hoover Administration.

Hearings on the new Goldsborough bill were arranged after O'Neal and other farm leaders approached Henry B. Steagall, Chairman of the House Committee on Banking and Currency. Steagall appointed a Goldsborough chaired subcommittee which held hearings intermittently from March 16 to April 14, 1932. The Goldsborough hearings proved how thoroughly organized agriculture had adopted the reflation-stabilization program as eight representatives of agricultural organizations and four farm Congressmen gave the bulk of the testimony. In addition former senator Robert L. Owen of Oklahoma and economists Wilford I. King of New York University and Irving Fisher of Yale provided lengthy technical and statistical support for the stabilizationist cause.[63]

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[62]"AFBF's 3 Point Program," American Farm Bureau Federation Weekly News Letter, (February 9, 1932), p. 1; "March Radio Program Brings Real Results," Ibid., (March 15, 1932); "O'Neal, Ramseyer and Norton on NBC Chain Program," Ibid., (April 12, 1932), p. 1; and U. S. Congress, House, The Committee on Agriculture, Hearings on the Program of National Farm Organizations, 72d Congress, 1st Sess., January 12, 1932.

[63]Ogg, "History of Farm Bureau's Activities for Monetary Reform," p. f.; "Congressman Strong Backs Move for Stable Money," American Farm Bureau Federation Weekly News Letter (March 1, 1932), p. s.; Hearings on H. R. 10517, 2 parts, March 16, 17, 18, 21, 22, 28, 29, and April 13, 14, 1932, 571 pages. Dozens of pages of materials prepared by George Warren and Frank Pearson were inserted into the hearings though neither man appeared in person before the committee.

The three presidents of the major farm organizations testified of the critical need for inflation. O'Neal repeated the conclusions of the Farm Bureau's Committee on the Stabilization of the Unit of Value. As evidence of the popularity of the honest money cause he included in his testimony fifteen pages of names of those who had written approving the Farm Bureau's position.[64] Louis J. Taber, Master of the National Grange recalled the disastrous effects of deflation and the gold scarcity thesis.[65] The unpredictable John A. Simpson, President of the Farmers' Union, irritated the committee, protesting that the Goldsborough bill did not go far enough in its inflationary impact. He demanded remonetization of silver, which if adopted "would double the price of all farm products in 60 days."[66] Several of the farm spokesmen admitted that their interest in money dated back to 1896. Charles A. Ewing, President of the National Live Stock Producers Association, recalled that his father had worked in the first Bryan campaign. "He wore himself out in it, came home, voted, and died before the returns were received." Ewing might have added that many a money crusader had died in less propitious circumstances.[67]

The subcommittee on April 15, and the full committee on April 21, voted favorably to report the Goldsborough bill. The bill that emerged

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[64] Hearings on H. R. 10517, pp. 2-51.

[65] Ibid., pp. 106-17.

[66] Ibid., pp. 117-22. See also Henry A. Wallace, "For Honest Dollar: Farm Organizations Demand Immediate Action to Raise Commodity Price Level," Wallaces' Farmer and Iowa Homestead, LVII (April 2, 1932), p. 3.

[67] Hearings on H. R. 10517, p. 92.

from committee differed from the March 16 version in that it established the average wholesale price level of 1921-1926 as the specific goal for reflation and it omitted the controversial gold pricing feature.[68] Instead the bill expected the Federal Reserve and the Secretary of the Treasury to stabilize the price level through credit and currency control. The modified and milder version of the Goldsborough bill proved palatable to the House of Representatives and on May 2, it solidly approved the proposal 289 to 60.[69]

Elated at its success in the House, organized agriculture prepared for a rugged test before the more conservative Senate. During May the farm lobby orchestrated a massive campaign to win the Senate to stabilization.[70] Urged to deluge Washington with letters, telegrams and petitions, hundreds, perhaps thousands of farmers, wrote their Congressmen. The letters demanded relief and often linked pathetic conditions back on the farm with an appeal for the honest dollar.[71]

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[68]Both Henry A. Wallace and George F. Warren protested the omission of the gold pricing feature. See Wallace to Norbeck, 16 May 1932, H. R. 11499, "Legislative Records," Record Group 46, National Archives, Washington, D. C.; Warren to Norbeck, 21 May 1932, Ibid.

[69]The modified bill, H. R. 11499, is printed in U. S., Congressional Record, 72d Cong., 1st Sess., May 2, 1932, p. 9410. See also "Honest Dollar Approved," American Farm Bureau Federation Weekly News Letter (April 26, 1932), p. 3; Guy Bush, "'Reflation' Comes Nearer," Wallaces' Farmer and Iowa Homestead, LVII (April 30, 1932), p. 6; "House Passes Goldsborough 'Honest Dollar' Bill," American Farm Bureau Federation Weekly News Letter (May 3, 1932), p. 1; New York Times, 4 May 1932.

[70]"President O'Neal Urges Immediate Action," American Farm Bureau Federation Weekly News Letter (May 3, 1932), p. 1; "Farm Leaders Elated Over 'Dollar' Victory," Ibid., (May 10, 1932), pp. 1, 2.

[71]Goldsborough acknowledged that congressmen received "hundreds of letters" during the House hearings on the Goldsborough bill. See Hearings on H. R. 10517, p. 28. There are a few dozen letters,

In addition, the agricultural press sustained an editorial barrage on behalf of monetary reform throughout May and June.[72]

President O'Neal, Senator Elmer Thomas, Congressman Goldsborough and the diligent Chester Gray, Washington Representative of the American Farm Bureau, directed the battle for the Goldsborough bill in the Senate.[73] Enlisting the aid of Senator Peter Norbeck, Chairman of the Committee on Banking and Currency, the group overcame strong objections from conservative Senators and secured hearings before a subcommittee of the Committee on Banking and Currency. The hearings, under the chairmanship of Smith Wildman Brookhart of Iowa, convened on May 12, 13 and 18, 1932.[74]

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telegrams and petitions, the majority of them of rural origin in H. R. 10517, "Legislative Records," Record Group 46, National Archives, Washington, D. C. The Elmer Thomas Papers contain hundreds of letters discussing every relief plan imaginable including money. See "Agricultural Legislation--April 1932," Thomas Papers, University of Oklahoma.

[72]See Henry A. Wallace, "Dragons that Devour Prosperity," Wallaces' Farmer and Iowa Homestead, LVII (May 14, 1932), p. 1; "Here Is the Best Cure for the Depression," American Agriculturalist, CXXIX (May 14, 1932), p. 4; The Illinois Agricultural Association Record, X (June 1932), p. 10; Clarence Poe, "What's Wrong With the American Dollar," The National Grange Monthly (June 1932), pp. 2, 11. See also The National Grange, the Farmers Educational and Cooperative Union of America and the American Farm Bureau Federation to Members of the Senate, 20 May 1932, H. R. 11499, "Legislative Records," Record Group 46, National Archives, Washington, D. C.

[73]See Thomas to Norbeck, 6 May 1932, Thomas Papers, University of Oklahoma; Gray to Julian Blount, Secretary, Banking and Currency Committee, 6 May 1932, S 11499, "Legislative Records," Record Group 46, National Archives, Washington, D. C.; Gray to Norbeck, 4 May 1932, Ibid.

[74]U. S. Congress, Senate, Subcommittee of the Committee on Banking and Currency, Hearings on H. R. 11499 and S. 4429, 72d Cong., 1st Sess., May 12, 13, 18, 1932. See also Ogg, "History of Farm Bureau's Activities for Monetary Reform," p. 5-6; "President O'Neal in Washington to Speed Early Approval of Goldsborough 'Honest Dollar' Bill," American Farm Bureau Federation Weekly News Letter (May 24, 1932, pp. 1, 3; "AFBF Leaders Speed Action on Farm Relief," Ibid., (May 31, 1932), pp. 1, 3.

The inexperience of the Senate in debating monetary stabilization proved a handicap to the proponents of the Goldsborough bill. While the House had discussed honest money proposals during five sets of hearings spanning the preceding ten years, the Goldsborough bill of 1932 provided the Senate with its first opportunity to confront the proposition. Norbeck, for example, confessed total ignorance of the Fisher compensated dollar scheme.[75] Education of the solons was undertaken when many of the witnesses who had appeared at the House hearings repeated their testimony before the Brookhart committee.[76] Warren, one of the few witnesses who had not testified earlier, recorded his impression of the Senate proceedings: "There seemd [sic] to be no great interest in the bill in the Senate before the hearing, but the hearings changed the point of view of a number of men." He added, "The general point of view seems to be one of utter discouragement and bewilderment."[77] The hearings did add to the ranks of the stabilizationists Banking Committee Chairman Norbeck.[78]

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[75]Norbeck to Wallace, 19 May 1932, H. R. 11499, "Legislative Records," Record Group 46, National Archives, Washington, D. C.

[76]An eye witness summary of the hearings is provided in "Honest Dollar in the Senate," Wallaces' Farmer and Iowa Homestead, LVII (May 28, 1932), p. 1, 5. See also Irving Fisher, assisted by Hans R. L. Cohrssen, Stabilized Money: A History of the Movement (London: George Allen and Unwin Ltd., 1935), pp. 186-205.

[77]Diary of George F. Warren, May 12, 13, 1932, Warren Papers, Cornell University.

[78]Norbeck to Wallace, 19 May 1932, H. R. 11499, "Legislative Records," Record Group 46, National Archives, Washington, D. C.; and Norbeck to George B. Kennard, Executive Secretary, South Dakota Farm Bureau Federation, 23 May 1932, Ibid.

Secretary of the Treasury Ogden L. Mills found the House passage of the Goldsborough bill "disturbing" and marshalled both the Administration and the leadership of the Federal Reserve into a more determined stance against the bill.[79] The opposition armed with threats of a Presidential veto overcame the farm lobby when on June 1, the Senate Banking and Currency committee agreed to replace the Goldsborough bill with a Glass-authored substitute measure.[80] Senator Carter Glass of Virginia, "the arch-enemy of the honest dollar," admitted the sole motive behind his move was to defeat the Goldsborough proposition.[81] The Glass proposal called for modest inflation of the currency, but dropped all references to stability as a goal of national monetary policy.[82] On June 4, President O'Neal, in a national radio broadcast, scored the Senate and Glass in particular, characterizing the committee's action as "makeshift" and the Senator as a tool of the "gigantic banking fraternity."[83] Wallaces' Farmer, in its own version of the loser's "wait-until-next-year" refrain, promised "You have not seen the last

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[79] Ogden Mills to Norbeck, 31 May 1932, Ibid.

[80] New York Times, 25 May 1932.

[81] "Senate Blocks Honest Dollar," Wallaces' Farmer and Iowa Homestead, LVII (June 11, 1932), p. 4.

[82] The Glass substitute extended the circulation privilege to all United States bonds earning less than 3-3/8 per cent interest for a period of three years. It was estimated the measure could provide a mild one billion dollar expansion of the currency. Attached to the Home Loan Bank Act it became law July 22, 1932. See "What Congress Did for the Farmers," National Grange Monthly, (September 1932), p. 7; New York Times, 2 June 1932. See also "Senate Has Streak of Repentance," Wallaces' Farmer and Iowa Homestead, LVII (July 23, 1932), p. 4.

[83] "O'Neal Scores Parties in Chain Radio Talk," American Farm Bureau Federation Weekly News Letter (June 1932), pp. 1, 3.

of us. This sop thrown to us by Senator Glass may delay the cause momentarily, but you will hear from us again and again. . . ."[84]

The 1932 presidential election year provided farmers the opportunity for a hearing. The dismal farm record of the Hoover Administration, its role in defeating the Goldsborough bill and the continuing depression generated abundant issues for the upcoming contest.[85]

After the defeat of oragnized agriculture's program in the spring of 1932, O'Neal determined to maintain the united front concept for the fall elections.[86] He appointed a seven member committee to draft a common program to submit to the Republican and Democratic conventions. The committee recommended to both conventions a six-point plan which emphasized the honest dollar.[87] The politicians greeted the farm delegation with less than full enthusiasm. Mildred Simpson, daughter of the Farmers' Union President, wrote, "The Democrats are not paying much attention to agriculture. Mr. O'Neal, Mr. Taber and Dad had a hard time getting a hearing before the Resolutions Committee.

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[84]"Senate Blocks Honest Dollar," Wallaces' Farmer and Iowa Homestead, LVII (June 11, 1932), p. 4.

[85]Though it omits a discussion of inflation demands, a summary of the farm problem, Roosevelt and their relationship to the election of 1932, is Amy Gertrude Slichter, "Franklin D. Roosevelt and the Farm Problem, 1929-1932," Mississippi Valley Historical Review, LXIII (September 1956), pp. 238-58.

[86]The unity of the big three was little more than an agreement to disagree as exemplified in the "Three-way bill." See William R. Johnson, "National Farm Organizations and the Reshaping of Agricultural Policy in 1932," Agricultural History, XXXVII (January 1963), pp. 35-42. Johnson failed to discuss it, but the one solid common denominator among organized agriculture was the demand for monetary inflation and the honest dollar.

[87]Edward A. O'Neal, "Congress and Conventions," American Farm Bureau Weekly News Letter (August 1932), pp. 4, 5, 6, 7.

They finally got a few minutes."[88] Similar complaints of summary treatment were directed at the Republicans.

On July 4, O'Neal keynoted the Farm Bureau's own campaign for the fall elections. Speaking to over 20,000 listeners at Ottuma, Iowa, the Farm Bureau President charged that "Congress and the two political conventions have shown a calloused and even defiant indifference to the welfare of agriculture." O'Neal admitted that both party platforms adopted portions of the program of organized agriculture though "the Democratic platform is a bit more definite." Still he flayed the politicians for the "shameful and disgraceful" way they dealt with the demands of farmers. Recalling the fight for the honest dollar he asked, "Are we going to allow our nation to pursue a policy which enriches the creditor class at the expense of the debtor class?" O'Neal urged farmers to enlist in a "war of ballots" to support the "true friends of agriculture" in the coming elections.[89]

Throughout the remaining months of the campaign the Farm Bureau zealously pushed its program for agriculture including demand for inflation and stabilization. Using the forum of the Bureau's national radio hour, O'Neal, in July, reported that yet another attempt for Congressional approval of the Goldsborough bill would be made. On the same program Vice President Charles Hearst of Iowa devoted almost all of his radio comment to a discussion of the Bureau's fight for the

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[88]Mildred Simpson to Gray, 30 June 1932, John A. Simpson Papers, University of Oklahoma.

[89]"President O'Neal Makes Stirring Independence Day Address," American Farm Bureau Weekly News Letter (July 5, 1932), p. 3.

honest dollar.[90] On Labor Day, September 5, 1932, the Bureau organized a nationwide "Muster Day" campaign to rally farmers behind the program of organized agriculture.[91] At Harlan, Iowa, O'Neal blamed the "Elder Statesmen" for the continuing depression and particularly for the Senate defeat of the Goldsborough bill.[92] W. R. Ogg, a Washington lobbyist for the Bureau, recalled that during the months of the campaign, "Farm Bureau leaders in the various states in their addresses to farmers almost invariably stressed the importance of monetary reform in urging support of the Farm Bureau program." Ogg added that the voting records of Congressmen on the Goldsborough issue were compiled and sent to the state farm bureaus.[93] Loyalty to the honest dollar was a major test in identifying the "true friends of Agriculture."

Each month of 1932 marked a further deterioration in the economic status of farmers. During the second week of September, prodded by the tensions and violence associated with the Farmers' Holiday Association, representatives of nine Midwestern States met at Sioux City, Iowa, to discuss proposals for agricultural relief.[94] It was to this forum that O'Neal first presented the Farm Bureau's demand for gold devaluation. In a 400-word telegram sent to the Sioux City Governor's Conference, O'Neal, on behalf of the Farm Bureau's board of directors, requested that the State Executives consider urging an immediate session

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[90]Ogg, "History of Farm Bureau's Activities for Monetary Reform," p. 7.

[91]_Ibid._, p. 7-8.

[92]_Ibid._, p. 8.

[93]_Ibid._, p. 7.

[94]_New York Times_, 10 September 192 and 12 September 1932.

of Congress to deal with the restoration of farm prices and a proposed moratorium on foreclosures. The heart of the Farm Bureau telegram proclaimed "the situation has become so acute as to make necessary the reduction of the gold value of the dollar. . . ." Devaluation would enable debtors "to meet their obligations in a measure of dollars approximating the value of the dollar at the time that the debts were incurred." Reducing the dollar's gold content also provided the only "practical method" that would ease the burden of debt and still allow the government to maintain the gold standard.[95] The dispatch demonstrated that the farmer disciples of Fisher, Commons and Warren had learned their lessons well.

During the Presidential campaign of 1932, the Farm Bureau officially maintained a nonpartisan stance. Yet the Bureau's campaign to enlist farmers in a "war of ballots" on behalf of the friends of agriculture undoubtedly stimulated rural voter turnout. The correlation between the size of the farm vote and Democratic victory was important in 1932. Iowa, for example, voted Democratic for the first time since the Civil War and the majority of the nation's farmers, for a potpourri of reasons, supported Roosevelt. The emphasis the Bureau placed on the honest dollar also put the Republicans in bad light as Hoover's emphatic rejection of stabilization received wide publicity in the farm press.

John A. Simpson, President of the Farmers' Union, was a farm leader who seldom concealed his partisanship. A man of strong emotional

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[95]O'Neal to Governors Dan Turner of Iowa, and Warren E. Green, of South Dakota, 8 September 1932, Rumely Papers, Indiana University.

views, Simpson combined a genuine concern for agriculture's distress with an ability to communicate the discontent and bitterness that prevailed in many rural regions of the country. His national radio speeches, abrasive to authority, prophetic in decrying injustice and unsophisticated in searching out remedies, earned him tens of thousands of letters of support, censure from network executives and national notoriety.[96]

On economic matters Simpson liked being called a "radical," claiming that a radical "is one who fights for a worthy project" while a conservative "is one who worships at the feet of dead radicals."[97] Simpson's radicalism, however, was of late 19th Century vintage as his views had crystallized during the Populist campaigns of the 1890s.[98] On monetary issues he was an inflationist and though he favored almost any means of cheapening the dollar he much preferred silver remonetization. He believed that Wall Street and the international bankers had imposed deflation and the depression on the country for their own selfish ends. As a consequence he viewed the money issue as "the most

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[96]Simpson's 1932 radio addresses were inserted into the Congressional Record by Senator Elmer Thomas of Oklahoma. See also John A. Simpson, The Militant Voice of Agriculture (Oklahoma City: Mrs. John A. Simpson Co., 1934), 206 pages. For network criticism of his more partisan comments see Frank M. Russell, Vice President of National Broadcasting Company to Simpson, 30 April 1932, John A. Simpson papers, University of Oklahoma. Simpson reported his first four radio addresses of 1932 produced over 30,000 letters from listeners. See Simpson to Russell, 30 April 1932, Ibid.

[97]Rochelle (Illinois) News, September 17, 1931, p. 1.

[98]Gilbert C. Fite, "John A. Simpson: The Southwest's Militant Farm Leader," Mississippi Valley Historical Review, XXXV (March 1949), pp. 563-84.

important of all questions facing the people." Simpson reminded his followers that 1932 celebrated the centennial of President Jackson's war on the money monopoly. The Farmers' Union official called upon farmers to imitate the example of their Greatgrandfathers and overthrow the banker elite of 1932. If only, he wished, one of the parties might summon the courage to nominate a new Andrew Jackson.[99]

Simpson thought he discovered a new "Hickory Jackson" on the banks of the Hudson River in the person of Franklin D. Roosevelt. Roosevelt initiated contact between the two when on March 7, 1932, he wrote Simpson, "I wish much that I could meet you personally and talk with you about many matters on which I need information and advice at first hand." The Governor concluded the flattering letter with an invitation to Simpson to be his house guest at Albany.[100] The Farmers' Union official arranged a meeting with Roosevelt at Hyde Park on April 3.[101] During the Chicago convention Simpson, dissatisfied with the money plank adopted by the Democratic convention, phoned the Governor in Albany. "I remember you told me," he later reminded Roosevelt, "that you would interpret it [the money plank] liberally and by liberally you said you meant we must have a dollar with less

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[99]John A. Simpson, "Farmers Must Organize," Oklahoma Union Farmer, XIII (June 1, 1932), pp. 2, 3, 4.

[100]Roosevelt to Simpson, 7 March 1932, Simpson papers, University of Oklahoma.

[101]Simpson to Roosevelt, 10 March 1932, Ibid.

purchasing power."[102] Satisfied, Simpson on July 1, "Had the honor of announcing Oklahoma's 22 [votes] for Roosevelt."[103]

Roosevelt's reassurances, whatever their context, were sufficient as Simpson enthusiastically stumped a dozen midwestern states for Roosevelt and inflation. Crowds of five to fifteen thousand often gathered at great farmer picnics to hear the fiery Oklahoman describe Roosevelt as more progressive than the Democratic platform. Simpson's campaign hustings pleased and were encouraged by Roosevelt and his advisors.[104] The Governor's cultivation of Simpson and the Farmers' Union resulted in that organization rejecting its traditional nonpartisan stance and officially endorsing the Democrat's candidacy.[105]

During the campaign Simpson frequently offered Roosevelt advice on the money issue. After conferring with the candidate at Columbus, Ohio on August 20, Simpson wrote Roosevelt and complained "the money plank of the National Democratic Platform is the most embarrassing one I meet." The inflationist encouraged Roosevelt to openly state that "you believe we must have a cheaper dollar."[106] Even Simpson realized

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[102]Simpson to Roosevelt, 3 April 1933, Ibid.

[103]Diary of John A. Simpson, 1 July 1932, Ibid.

[104]See Roosevelt to Simpson, 28 July 1932; Henry Morgenthau, Jr. to Simpson, 4 August 1932; Roosevelt to Simpson, 9 August 1932; Roosevelt to Simpson, 5 October 1932; Adolph A. Berle to Simpson, 4 October 1932 and 24 October 1932; Roosevelt to Simpson, 19 November 1932, John A. Simpson papers, University of Oklahoma.

[105]See memorandum "Conference of Farmers' Union Officials with Governor Franklin D. Roosevelt," Sioux City, Iowa, September 29, 1932, Simpson papers; Simpson to Roosevelt, 7 October 1932, Ibid.

[106]Simpson to Roosevelt, 27 August 1932, Ibid.

the sensitive nature of the money issue, however, for he added, "I want you to say just enough on this money question to justify you in doing what should be done after you are elected. I do not want you to say enough to drive votes from you. I think you understand."[107]

Roosevelt probably understood the treacheries of controversial issues like the money question better than Simpson imagined. The chameleon nature of Roosevelt's attitude toward the issue was reflected in the Democratic money plank which antithetically called for "a sound currency to be preserved at all hazards" and for an international conference "to consider the rehabilitation of silver and related questions." Rexford Tugwell, a member of Roosevelt's brains trust, puzzled "How would this be regarded in the old populist country if the first was meant and what would businessmen say if the second was really intended?"[108] Roosevelt, the politician, was perhaps more aware than Tugwell of the practical wisdom of a candidate's ambiguity on such issues.

During the election of 1932, Roosevelt finessed the money issue. His ambivalent posture on the question in part reflected the nominee's obligation to provide conciliation and leadership to the party. He embraced and gained support of both inflationists and sound moneyites. The majority of the Democratic House delegation had endorsed the honest dollar and two lieutenants in his 1932 campaign, Senators Burton K. Wheeler and George Norris, were repeatedly identified with the

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[107] Ibid.

[108] Rexford G. Tugwell, The Brains Trust (New York: The Viking Press, 1968), p. 378.

inflation movement.[109] Among his closest advisors Roosevelt's liaison with organized agriculture Henry Morgenthau, Jr., publisher of American Agriculturalist, continually pressed the Warren-Pearson gold theories upon the candidate.[110] Inflationary schemes also held a certain fascination for the Governor who frequently quizzed his aids about the practicality and political appeal of the newest monetary plan. On such occasions Tugwell recalled he "shuddered" but dutifully researched the various monetary devices as requested.[111]

During the campaign Roosevelt adroitly refused association with any monetary scheme. If inflationists supported him so did the conservatives like the New York Times, Bernard Baruch, Joseph P. Kennedy and Carter Glass. On August 13, Morgenthau introduced Henry A. Wallace to Roosevelt at a luncheon at Hyde Park. Wallace had been brought to New York at least in part to appraise the candidate of the honest dollar sentiment in the Midwest. The Iowa editor, who had often attacked Hoover for his anti-inflation stand, reported to his readers "the governor is quite skeptical about inflation as the cure for our troubles." Wallace, impressed with Roosevelt's personality and concern for agriculture, blamed the Governor's attitude on the influence of "certain

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[109]See New York Times, 22 October 1932 and 1 December 1932. Another who urged Roosevelt to accept inflation and the Goldsborough bill was former Senator Robert L. Owen of Oklahoma, co-sponsor of the Federal Reserve Act of 1913. See Owen to Roosevelt, 6 October 1932, Owen papers, Manuscript Division, Library of Congress, Washington, D. C.

[110]John Morton Blum, From the Morgenthau Diaries: Years of Crisis, 1928-1938 (Boston: Houghton-Mifflin Company, 1959), p. 20.

[111]Tugwell, The Brains Trust, pp. 98, 292. Roosevelt had also shown interest in the Stable Money League. See Daniel R. Fusfeld, The Economic Thought of Franklin D. Roosevelt and the Origins of the New Deal (New York: Columbia University Press), pp. 190-99.

Columbia University professors," undoubtedly Raymond Moley and Tugwell.[112] The explanation for Roosevelt's lack of commitment on the money question may have been that he had not made up his own mind on the issue and wished to preserve his options. In a private conversation with Tugwell the Governor asserted that Bryan's demand for cheap money may have been premature, "but hadn't he been essentially right?"[113] Roosevelt's front runner status probably obviated the necessity for an immediate answer.

The inflationists of 1932 simply had little choice but to support Roosevelt's candidacy. For if Roosevelt offered inflationists equivocation, Hoover presented them depressing certainty. In a major address on farm issues at Des Moines, the President eulogized the gold standard and reiterated his opposition to a "rubber dollar" as provided, he alleged, in the Goldsborough bill. Wallaces' Farmer concluded, "A vote for Hoover is a vote for the veto of the Honest Dollar bill."[114] Consequently the inflationists of 1932 suffered little from a dilemma complex.

When the American people voted to support the New Deal on November 8, more than one inflationist concurred with Simpson's verdict,

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[112]Henry A. Wallace, "Sizing up Eastern Attitudes," Wallaces' Farmer and Iowa Homestead, LVII (September 3, 1932), pp. 3, 18; see also Edward L. and Frederick H. Schapsmeier, Henry A. Wallace of Iowa: The Agrarian Years, 1910-1940 (Ames, Iowa: The Iowa State University Press, 1968), pp. 152-59.

[113]Tugwell, The Brains Trust, p. 56.

[114]"Closing the Door of Hope," Wallaces' Farmer and Iowa Homestead, LVII (September 3, 1932), pp. 3, 18.

"The results are almost perfect."[115] Yet farmer inflationists conceded that the contest to determine New Deal monetary policy remained unresolved. Before the polls closed on election day, former senator Owen of Oklahoma congratulated Roosevelt on his impending victory, urged the Governor to support the Goldsborough bill and inflation, and warned the President-elect that he would be "subjected to the supreme skill of the deflationists."[116] Would-be monetary reformers viewed the Democratic victory of 1932 with optimism, but they perceived the open-ended nature of their commitment. As of the winter of 1932, the battle for inflation and stabilization continued.

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[115]Simpson to A. W. Ricker, 9 November 1932, Simpson papers, University of Oklahoma.

[116]Owen to Roosevelt, 8 November 1932, Owen papers, Manuscript Division, Library of Congress, Washington, D. C.

CHAPTER VII

FROM NEW ERA TO NEW DEAL: FARMERS AND THE DRIVE FOR INFLATION DURING THE WINTER 1932-1933

"We think better on an empty stomach than a full one" explained Senator Lynn J. Frazier of North Dakota as he accounted for the Roosevelt victory of November 1932.[1] Most farm spokesmen expressed satisfaction at the New Yorker's victory viewing it as an opportunity to change national economic policy.[2] Yet farm leaders would have agreed with Henry A. Wallace's assessment of Roosevelt that "An awful lot will depend . . . on just which particular group of people he takes for advice."[3] During the interregnum farm leadership demanded and received a hearing from the President-elect. Concurrently with the effort to educate the incoming Administration the farm lobby maintained what pressures it could on the expiring Congress and Administration.

Resurgence of organizational activity began a month before the elections when President O'Neal of the Farm Bureau hosted the leaders

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[1]*Prairie Farmer*, CIV (November 26, 1932), p. 7.

[2]See Louis J. Taber to Roosevelt, 11 September 1932 and Taber to Josephus Daniels, 29 November 1932, Taber papers, Cornell University; Earl C. Smith, President of Illinois Agricultural Association, to Rainey, 11 November 1932, Rainey papers, Manuscript Division, Library of Congress, Washington, D. C.

[3]Edward L. and Frederick H. Schapsmeier, *Henry A. Wallace of Iowa: The Agrarian Years, 1910-1940* (Ames: The Iowa State University Press, 1968), p. 154.

of farm organizations, the farm press and the marketing associations in a unity conference at Chicago on October 11. Appointing several committees, the Chicago conference named Henry A. Wallace chairman of the Committee on Stabilization of the Unit of Value. The committees were to report recommendations at the reconvening of the group on December 12. That date allowed discussants the time to reflect on the results of the approaching national elections and the opportunity to attend the national conventions of the "big three" farm organizations scheduled for mid-November and early December.[4]

The Farmers' Union at Omaha, Nebraska and the National Grange at Winston-Salem, North Carolina met in mid-November 1932. Both conventions heard major addresses on the money question and both ratified resolutions demanding inflation. The delegates of the Farmers' Union championed bimetallism while those attending the Grange sessions believed in preserving the gold standard though they wished to make it more flexible through implementing credit and currency management designed to produce an honest dollar.[5]

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[4]Henry T. Rainey, with FDR's blessing, played an important role in organizing unity conferences of the interregnum. See Earl C. Smith to Rainey, 11 November 1932; O'Neal to C. O. Moser, 28 November 1932; Rainey to O'Neal, 30 November 1932; Smith to Rainey, 5 December 1932, Rainey papers, Manuscript Division, Library of Congress, Washington, D. C.

[5]Minutes of the National Convention Farmers' Educational and Cooperative Union of America, 28th Annual Session, Omaha, Nebraska, November 1932, pp. 5, 6; New York Times, November 16 and 17, 1932; Proceedings of the National Grange of the Patrons of Husbandry, 66th Annual Session, Winston-Salem, North Carolina, November 16-25, pp. 32, 101, 165-66; "A Great Grange Gathering at Winston-Salem," The National Grange Monthly, XXIX (December 1932), p. 1.

The money issue also received full scrutiny at the Farm Bureau national convention which assembled at Chicago, December 5-7. Bureau delegates heard President O'Neal demand "world wide price inflation," silver remonetization, and gold devaluation.[6] The convention also listened as Professor George F. Warren lectured on the "Stabilization of the Measure of Value."[7] The delegates enthusiastically translated the Warren message into a two-page resolution premised on the gold scarcity thesis. The proposal called for an increase in the price of gold to $30 dollars per ounce, the cessation of gold coinage, the termination of the circulation privilege for gold coins, and inflation of commodity prices. To facilitate the program the resolution asked that the Treasury create a "stabilization bureau" to administer the Fisher commodity dollar scheme. The new agency "free from bank or any other influences" was to stabilize the purchasing power of the dollar "as near as humanly possible" to the average price level that existed between 1920 and 1929.[8]

On December 12, O'Neal's unity conference, calling itself the National Farm Conference Group, met with Roosevelt's agricultural advisors including Henry Morgenthau, Jr., at Washington, D. C. During the three-day session, Wallace's Committee on the Stabilization of the

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[6]"Organized Agriculture Speaks at A.F.B.F. Convention," _American Farm Bureau Federation Official News Letter_ (December 12, 1932), p. 1.

[7]Warren, "Stabilization of the Measure of Value," mimeographed, December 6, 1932, 13 pages, Warren papers, Cornell University.

[8]"Extracts from Resolutions Adopted at Indicated Annual Meetings of the American Farm Bureau Federation on: Monetary, Banking, Financial and Fiscal Policies," American Farm Bureau Files, Chicago, Illinois.

Unit of Value recommended measures, including an increase in the price of gold to $30 per ounce, that virtually repeated the language of the Farm Bureau money resolution.[9] Though monetary reform was but one of the measures suggested at the conference, it managed to receive a major emphasis. Fred Sexauer, President of the Dairymen's League and confidant of George Warren, wrote the Cornell professor, "almost to a man" farm leaders agreed that "the only solution of the problem was the one which you have been suggesting." Sexauer concluded, "I came away from Washington very much encouraged that something might be done."[10]

The December conferences resulted in a renaissance of the Congressional farm bloc. On December 20, more than 150 congressmen agreed to push for the program of organized agriculture. The program emphasized gold devaluation, currency expansion, the domestic allotment plan and credit and mortgage relief. To facilitate its legislative efforts the bloc divided into four committees with Mississippian Thomas Jefferson Busby, an inflationist, chairman of the one on currency reform. Two days after the House group organized, 15 senators lunched with representatives of agriculture's "big three" and agreed to promote the program in the upper House. With a reorganized congressional lobby, a congenial incoming administration, and a plan of action, organized

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[9]"Minutes of a Conference of Agricultural Leaders Held at the Harrington Hotel," Washington, D. C., December 12, 13, 14, 1932, pp. 12-13, mimeographed, John Simpson papers, University of Oklahoma, <u>New York Times</u>, 13 December 1932.

[10]Sexauer to Warren, 14 December 1932, Dairymen's League papers, Cornell University.

agriculture at the end of 1932 stood ready to help shape national economic policy.[11]

During the interregnum other interest groups joined in agriculture's drive to discover solutions to the economic riddles of the Great Depression. Though the economic performance of agriculture elicited some concern from businessmen during the 1920s, the crash of 1929 startled businessmen into a genuine, if self-interested search for ways to cope with the farm problem.[12] The National Industrial Conference Board examined the gloomy prospects for agriculture as early as 1926.[13] The United States Chamber of Commerce endorsed the Agricultural Marketing Act of 1929 and in November of 1932 the chamber appointed a major committee to investigate ways to restore farm purchasing power.[14] Beginning about 1933 the Committee for the Nation provided an important

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[11]Arthur Capper of Kansas, Elmer Thomas of Oklahoma, and Ellison D. Smith of South Carolina comprised the Senate farm bloc steering committee. "Farm Leaders Agree on Domestic Allotment Plan, American Agriculturalist, CXXIX (December 24, 1932), p. 4; "Time for Action," Bureau Farmer (December 1932), p. 7; "National Grange Master Outlines Relief Program," Illinois Agricultural Association Record, X (December 1932), p. 7; "Farm Relief May Squeeze Thru Yet," Capper's Weekly, LVII (December 31, 1932), pp. 1, 2; "The Parade of the Week," Prairie Farmer, CIV (December 24, 1932), p. 4; New York Times, December 21, 1932.

[12]See John P. Gleason, "The Attitude of the Business Community Toward Agriculture During the McNary-Haugen Period," Agricultural History, XXXII (April 1958), pp. 127-38.

[13]The Agricultural Problem in the United States (New York: National Industrial Conference Board, 1926).

[14]"President Smith Serves on National Committee," Illinois Agricultural Association Record, X (December 1932), p. 4.

example of farm-business cooperation.[15] By 1933, the interdependency of rural and urban prosperity forced businessmen to admit the need for higher farm prices. Some businessmen went further as they joined in the demand for monetary inflation and the adoption of a managed currency system.

Edward A. Rumely from La Porte, Indiana originated and promoted the concepts which evolved into the Committee for the Nation, the best organized and financed of the organizations lobbying for inflation in the 1930s. Rumely, whose exuberant personality recalled that of his political idol and friend, Theodore Roosevelt, enjoyed a peripatetic career. Matriculating at Notre Dame, Oxford and Heidelburg, Rumely received an M.D. and a degree in economics from the University of Freiburg in 1906. The Indianan never practiced medicine. Instead he founded the experimental Interlaken School which emphasized vocational education 1906-1914, invented the Rumely Oil Pull Tractor eventually sold to Allis-Chalmers, edited and became part-owner of the New York City Evening Mail in 1915, established a vitamin company and in the 1920s created the Agricultural Bond and Credit company. The latter venture lent $35,000,000 to wheat farmers between 1926 and 1930. As the Great Depression intensified the company's 76 agents emphasized

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[15] Herbert M. Bratter, "The Committee for the Nation: A Case History in Monetary Propaganda," Journal of Political Economy, XLIX (August 1941), pp. 531-52. The Bratter article was based solely on publications of the Committee and news stories from the New York Times. Bratter did not have access to the pertinent manuscript collections now available to researchers. The essay summarized the various techniques useful to the Committee in disseminating its propaganda but virtually ignored the important role of agriculture in the Committee's history.

collections rather than loans but towards the end of 1932 the company prepared to follow its farmer-borrowers into bankruptcy.[16]

Undoubtedly Rumely's conversion to inflation as the cure for the depression resulted from financial reverses of the Agricultural Bond and Credit company and the hope that rising commodity prices would enable farmers to repay their indebtedness.[17] Rumely's "road to Damascus" on the inflation issue included more obtuse motives as well. His correspondence revealed a sensitive if inveterate do-gooder, a Catholic social gospeler who expressed distress at the suffering of farmers and feared for the future of the free-enterprise system. In addition, during the winter of 1931, Professor Gehart von Schulze-Gaevernitz, an old friend and Rumely's former economics teacher, toured

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[16]For Rumely's post Committee for the Nation career see Richard Polenberg, "The National Committee to Uphold Constitutional Government 1937-1941," Journal of American History, LII (December 1965), p. 582. Much of the foregoing article is repeated in Richard Polenberg, Reorganizing Roosevelt's Government: 1936-1939, Harvard University Press, 1966). For Rumely's life to 1914, see Philip Morehouse McGarr, editor, "The Autobiography of Dr. Edward A. Rumely: The Formative Years, 1882-1900," Indiana Magazine of History, LXVI (March 1970), pp. 1-39; Philip Morehouse McGarr, editor, "The Autobiography of Dr. Edward A. Rumely: Student Days Abroad, 1900-1906," Indiana Magazine of History, LXVI (September 1970), pp. 198-237; Philip Morehouse McGarr, editor, "The Autobiography of Dr. Edward A. Rumely: The La Porte Years, 1906-1914," Indiana Magazine of History, LXVII (March 1971), pp. 1-44. The author has also relied on Fanny Scott Rumely to Dear Family, 29 February 1952, which traced the highlights of Rumely's life on the occasion of his 70th birthday, and Rumely, "Committee for the Nation," typed autobiography, Part I, March 5, 1950, 21 pages; and Rumely, "Committee for the Nation," typed autobiography, Part II, March 13, 1950, 25 pages, Rumely papers, Indiana University.

[17]See A. H. Barger to the Members of the Board of Directors of the Agricultural Bond and Credit Corporation, 21 June 1932, Rumely papers; Rumely to Col. E. M. House, 25 November 1932, Rumely papers, and "Statement of Income and Expenses--Edward A. Rumely--1932," December 1932, Rumely papers, Indiana University.

America and convinced the Indianan that the depression emanated primarily from monetary phenomenon.[18]

During the June 1932 Republican Convention Rumely, upset at the weakening position of Chicago banks, wired automotive tycoon Henry Ford and Vincent Bendix, President of Bendix Aviation Corp., encouraging them to assert leadership to avert a worsening of the crisis. Within two days Bendix arranged to discuss the situation with Rumely. As he was escorted into the executive's Chicago suite, Rumely recalled that Bendix was enjoying breakfast "in a bed that had four posts and silk curtains--most luxurious sheets and covering, and looked very much like a Turkish Shah." Overcoming the incongruity of the setting and the topic for discussion, the conversation centered on ways to end the depression and especially the need for an inflationary monetary policy.[19]

Bendix and Rumely agreed that an inflationary monetary policy might be achieved if it were pushed by a national committee of leading businessmen and farm representatives. Bendix allowed that he was not interested in creating a majority of all the people but in a majority of "the effectives" whom he defined as those "who will make the decisions ultimately."[20]

During the course of the breakfast conversation the main outlines of a national inflation lobby were sketched. Chicago, New York

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[18]Rumely, "Committee for the Nation," Part I, pp. 1-2.

[19]Rumely, "Committee for the Nation," Part I, pp. 7-8; Rumely, "Memorandum File Inflation," 15 June 1932; and Rumely to Dr. Edmund Stines, 25 June 1932, Rumely papers, Indiana University.

[20]Ibid.

or both ought to provide the headquarters of the committee and "a good address would be helpful." The Committee should possess a short and descriptive name, reflective of the purpose of the new organization. Bendix and Rumely agreed that the major statements of the organization must rely on "unimpeachable data" prefereably confirmed through the facilities of a professional research organization. The men also saw the necessity of securing the cooperation of agriculture. Agricultural cooperatives and the farm implement industry could provide financial support and because of heavy advertising budgets might induce the farm journals to cooperate as well. Other potential supporters of an inflation committee included home owners confronting mortgage payments and professional economists, although Bendix preferred the endorsement of businessmen rather than "idealistic thinkers." Finally the men reviewed the likely individual supporters of such a movement.[21]

Returning to his office from the Bendix interview, Rumely compiled a memorandum concerning his role in the proposed national inflation committee. Rumely suggested that he could operate "as an editor" in the stimulation, organization and production of inflation propaganda. In return for organizing the national inflation drive, Rumely asked Bendix for $1,500 a month out of which he would pay his traveling and personal expenses. Bendix placed $2,000 at Rumely's

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[21]"Committee to Promote Restoration of Normal Commodity Prices: Suggestions of Vincent Bendix as recorded by Edward A. Rumely," 25 June 1932, Rumely papers, Indiana University. They named Henry Ford, William Randolph Hearst, Frank O. Lowden and Alexander Legge as men who might be interested in the project.

disposal. The Indianan's assignment was to see what interest others might have in the idea.[22]

In the six months following the June 25th breakfast session with Bendix, Rumely surveyed two major sources of support for the proposed inflation organization. He interviewed many of the top echelon of business leaders in both Chicago and New York, often finding them receptive to the need for inflation.[23] He also courted the agricultural industry. Interviewing Senators Borah and Norbeck he found both anxious to cooperate on behalf of the inflation remedy. During August Rumely drove through Iowa and South Dakota to survey farming conditions and report his impressions to Bendix. Approaching Sioux City, Iowa, he witnessed the overalled farm holiday strikers halting the traffic of farm products to the city. With the aid of Allis-Chalmers dealers, many of whom he had been associated with in the implement industry, he composed his report. Rumely informed Bendix that farmers believed they were the victims of a great injustice and were at the point of despair due to the burden of debt and taxes and the low levels of commodity prices. Rumely exclaimed, "The very body of men who should be the most tenacious force in support of capitalism and private initiative--the six million farm owners--are being alienated so seriously

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[22]Rumely to Bendix, 25 June 1932, Rumely papers, Indiana University.

[23]Rumely's efforts may be traced in his profuse correspondence. See Rumely to Bendix, 30 June 1932, 3 July 1932, 6 July 1932, 26 September 1932, 28 September 1932, and Bendix to Rumely September 30, 1932. Letters to businessmen from Rumely include: Rumely to General Robert Wood, 22 September 1932; Rumely to Vanderlip, 10 November 1932; Rumely to John S. Cullinan, 6 August 1932. See also a two-page mailing list of names of farm and business leaders canvassed by Rumely dated 30 September 1932, Rumely papers, Indiana University.

that they cannot be counted upon to remain in the ranks of conservative voters."[24]

Convinced that farmers had more to gain from inflation than almost any group, Rumely initiated contact with agricultural leaders. Receptive to his ideas were such midwestern agricultural figures as Herbert F. Perkins of International Harvester, former Illinois Governor Frank O. Lowden, Edward A. O'Neal, President of the Farm Bureau, and Clifford Gregory, editor of Prairie Farmer. Rumely reported to Bendix, "Mr. Gregory . . . tells me that the more intelligent leaders of the farm organizations see the question clearly and would . . . support financially and otherwise a movement to clarify it as an issue for general public discussion."[25]

At O'Neal's urging Rumely arranged for Henry A. Wallace to meet Bendix at the industrialist's executive offices in Chicago. Wallace liked the inflation committee notion but disliked Bendix, confiding to Rumely, "That man Bendix talks very selfishly." After meeting two other Rumely converts to inflation, General Robert Wood and Lessing J. Rosenwald, chief executive officers of Sears Roebuck and Co., Wallace, impressed, agreed to serve on the executive board of the proposed inflation committee. Wallace, however, qualified his commitment to the neophyte committee: should he receive the post of Secretary of Agriculture, "you must immediately remove my name from the stationary"

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[24]Rumely to Bendix, 19 August 1932, Ibid.

[25]Rumely to Bendix, 26 October 1932, Ibid.

and from any public endorsement of the committee's objectives.[26]

By the middle of January 1933, Rumely secured a name, an executive board and a research organization for the proposed inflation organization. Rumely titled the new organization the Committee for the Nation for Rebuilding Purchasing Power and Prices.[27] Lessing J. Rosenwald, Chairman of the Board of Sears Roebuck, J. H. Rand, Jr., President of Remington Rand Corporation, Frank A. Vanderlip, retired and respected New York City banker, joined Henry A. Wallace and Vincent Bendix on the Committee's Executive Board. For an initial $10,000 fee the committee hired the prestigious if nearly indigent National Industrial Conference Board, Inc. to research the nature and effects of monetary contraction and to assemble and analyze the various proposals for raising prices and restoring purchasing power through monetary means.[28]

Rumely also increased his efforts to bring organized agriculture into the ranks of the Committee for the Nation. Recognizing the influence of George F. Warren on the monetary thinking of farm organizations, Rumely lunched with Fred H. Sexauer, President of the Dairymen's

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[26]In addition, Wallace requested that the integrity of the inflation committee be assured through a prohibition on members speculating in the gold market. See Rumely to Wallace, 3 November 1932; Wallace to Rumely, 8 November 1932; Rumely, "The Committee for the Nation," Part I, p. 14; Rumely to Bendix, 9 January 1933, Rumely papers, Indiana University.

[27]The name was first used in Rumely to Bendix, 23 December 1932, Rumely papers, Indiana University.

[28]J. H. Rand, Jr. to National Industrial Conference Board, Inc., Attention Mr. Virgil Jordan, 13 January 1933; Jordan to Rand, 16 January 1933, Rumely papers, Indiana University.

League and an ardent Warren disciple. With Sexauer's cooperation Rumely planned a January 26 conference at New York City on the topic "The Farm Relief Problem and the Price Level." The meeting held under the aegis of the National Industrial Conference Board provided Rumely and Sexauer the opportunity to gage the potential for cooperation among farm and business leaders. Sexauer believed that the Committee for the Nation format offered the "possibility of our developing a rather close contact between agriculture and industry" and enthusiastically secured the participation of the Grange, the Cooperative Council, the Farmers' Union, the Farm Bureau and the National Cooperative Milk Producer's Federation in the January 26 affair.[29] At the conclusion of the day-long conference Rumely and Sexauer hosted a private dinner for those who had expressed an interest in joining the Committee for the Nation. Most of those in attendance agreed that a joint study of the depression might prove informative to both farm and business interests.[30]

George F. Warren, "The Committee for the Nation's staunchest aide and ablest supporter," according to Rumely, also participated in the incipient stages of the committee's formation.[31] As preparations

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[29]Sexauer to Harry Hartke, President of National Cooperative Milk Producer's Federation, 17 January 1933; Alanson B. Houghton to Sexauer, 17 January 1933; Sexauer to Rumely, 17 January 1933, Hartke to Sexauer, 19 January 1933, Dairymen's League papers, Cornell University; C. O. Moser to Rumely, 21 January 1933; L. J. Taber to Committee for the Nation, 21 January 1933; Hartke to Rumely, 21 January 1933; Rumely to Mary, 23 January 1933, illustrates Rumely's awareness of Warren's influence among farm organizations. Rumely papers, Indiana University.

[30]Gould Coleman, Oral Interview of Fred H. Sexauer at Auburn, New York, January 28, April 2, May 17, June 21, 1963 and December 12, 1966, the Cornell Program in Oral History, pp. 149-50; and U. Benton Blalock to Sexauer, 30 January 1933 and Sexauer to Blalock, 2 February 1933, Dairymen's League papers, Cornell University.

[31]Rumely, "The Committee for the Nation," Part II, pp. 21-22.

for the January 26 conference proceeded, Warren traveled to Chicago and visited Bendix and General Robert Wood. The two financial angels of the Committee for the Nation proved "very much interested" in Warren's gold theories.[32] Warren expanded his contact with inflationist businessmen when he delivered the major address at the Rumely-Sexauer conference of January 26. His paper entitled "Causes of the Depression and the Remedies for It" emphasized the need for reflation and monetary stabilization.[33] Warren's audience which included Henry I. Harriman, President of the National Chamber of Commerce, and Virgil Jordan, President of the National Industrial Conference Board, proved so receptive that a similar session was held at Chicago on February 4.[34]

Another early supporter of the Committee for the Nation, Henry A. Wallace continued his active support of inflation during the interregnum. The editor spoke before several farm conventions during December and January asking that agriculturalists support an increase in the price of gold from $20.67 to $30 per ounce, an international conference on bimetallism, and adoption of the Fisher-Warren stabilization program.[35] One such address delivered to the Nebraska legislature the day before he agreed to serve as Roosevelt's Secretary of

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[32]Warren Diary, January 20, 1933, Warren papers, Cornell.

[33]"Causes of the Depression and the Remedies for It," mimeographed, January 26, 1933, 19 pages, Warren papers, Cornell University.

[34]Warren Diary, January 26, 1933, Warren papers, Cornell; Rand to Borg, 3 February 1933, Rumely papers, Indiana University.

[35]"The Money Question," The Illinois Agricultural Association Record, Vol. II (February 1933), pp. 17-18; "Illinois Farmers Have Just Begun to Fight," Prairie Farmer, Vol. CV (February 4, 1933), p. 3.

Agriculture specifically lauded the Warren concepts and created furor in the eastern press. Afraid that he had embarrassed his new employer, Wallace wrote the President-elect that in the future he intended to be a "team" player following "the instructions of the Captain." Wallace insisted, however, that inflation whether voluntarily undertaken by bankers and the Federal Reserve or imposed by the government was an urgent necessity. "If I were a real radical I would not ask anything better than a continuation of the deflation. But as I contemplate the extraordinary misery among our unemployed and among our farm folks . . . I am moved to write to you as I have."[36] Upon accepting Roosevelt's invitation to become Secretary of Agriculture, Wallace withdrew from the Committee for the Nation but recommended Fred H. Sexauer as his replacement. Rumely, whose amicable relations with the dairy leader had been established in preparation for the New York and Chicago conferences, accepted Wallace's choice.[37]

Sexauer, with the exception of Rumely, proved the most indefatigable and loyal member of the Committee. As a young man Sexauer, in search of cheap land, moved eastward from De Kalb County, Illinois to Auburn, New York where he bought 240 acres for a minimal downpayment. Without formal agricultural training the transplanted midwesterner frequented the Geneva Experiment Station and the Agricultural College at Cornell in an attempt to learn the latest scientific management and

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[36]Wallace to Roosevelt, 19 February 1933, PPF, Franklin D. Roosevelt Library, Hyde Park, New York. See also "Campaign for Inflation Gaining," Wallaces' Farmer, LVIII (January 21, 1933), pp. 4, 24.

[37]Rumely, "The Committee for the Nation," Part II, p. 13; Sexauer, Oral History, p. 149, Cornell.

farming techniques. Sexauer also valued membership in agricultural organizations, eventually becoming president of the Dairymen's League Cooperative Association, Inc., the cooperative that served the New York City milk shed. By the end of the 1920s, the Dairymen's League under Sexauer's leadership represented approximately 65,000 farmers in New York, Pennsylvania, New Jersey and the western fringes of New England.[38]

Sexauer first came into contact with Warren when the young farmer served as Secretary of the Cayuga County Farm Bureau during World War I. Sexauer noted he became "quite an admirer" of Warren's and recalled that "I always went to him for advice."[39] During the hard times of the 1930s, Sexauer, though his Republican and free enterprise spirit recoiled at the idea, understood the demands of farmers for government intervention and regulation of the economy. He believed that during eras of distress most would exchange freedom for security. "Those of us in farm circles who believe that farmers would be happier, that business would be better and democracy better served by free institutions, recognize that we cannot stem the tide of regulation without the reestablishment of an adequate income for agriculture." Reiterating Warren's views, Sexauer argued that monetary management including gold repricing offered the exclusive alternative to economic regimentation. To Sexauer the self-interest of the business community dictated that they join farm demands for a restoration of price levels.

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[38]Sexauer, Oral History, pp. 2-7; "The Dairymen's League Cooperative Association, Inc., and How It Benefits the Dairy Farmer: What the League Is," mimeographed pamphlet, nd, Dairymen's League papers, Cornell.

[39]Sexauer, Oral History, pp. 144-45; 200-05.

The inescapable alternative to a managed monetary policy was the coming of the regulatory state.[40]

After the initial farm business conferences and the resignation of Henry A. Wallace from the Executive Board of the Committee for the Nation, farm representatives wished to more precisely define agriculture's role in the Rumely committee. Louis J. Taber, Master of the National Grange, Edward A. O'Neal, President of the Farm Bureau, Charles Holman, Secretary of the National Cooperative Milk Producers' Federation, and Sexauer discussed the matter at Washington on February 16. The men agreed that farm organizations should present a unified front on the major issues that might come before the committee "in order to guide" the thinking of its business members. The group chose Sexauer as its "Contact Man" with the Committee. Sexauer insisted upon the designation "Contact Man" rather than representative, for he recognized the futility of committing the farm groups to any proposition without first obtaining their specific prior approval. In accepting the appointment he received agreement from the farm leadership that they would meet at his call from time to time to review agriculture's association with the Rumely committee. As for his association with the business members of the Committee, Sexauer notified them that he was anxious to cooperate with them provided they recognized the "individualistic character of farmers and farm organizations."

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[40]The views of Sexauer may be found in his voluminous correspondence. Three letters are especially pertinent: Sexauer to Murray Lincoln, Secretary, Ohio Farm Bureau Federation, 31 December 1931; Sexauer to William Hard, Secretary, Republican Program Committee, 23 August 1938; Sexauer to Rumely, nd, but probably December 1938. See also the Sexauer Oral History, 300 pages.

He advised the Committee leadership to proceed "cautiously" if farm support were to be retained because of agriculture's "past experience with business." Thus Sexauer, with the support of the major farm organizations, succeeded Wallace in mid-February as the farmer member on the Committee's Executive Board.[41]

During January and February, the Rumely group launched its investigation of the American economy. The Committee subsidized twelve National Industrial Conference Board studies which surveyed the more troublesome areas of the American economy. Scholarly and statistical in approach, each report was numbered and stamped "Confidential--Not for Publication." The memoranda dealt with such topics as total indebtedness in the United States, the status of commercial banking and the economic reconstruction program of the Hoover Administration. Altogether the reports bluntly illustrated the magnitude of the deflation process, the precarious position of commercial banks and the ineptitude of the government's response to the crisis.[42]

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[41]See "Summary of Meeting of Committee for the Nation on Friday, February 10, 1933," typewritten, 2 pages, Dairymen's League papers, Cornell; "Report of Conference with Mr. Taber and Mr. O'Neal," Washington, D. C., February 16, 1933, 4 pages, Dairymen's League papers, Cornell; and Robert J. Andersen to F. A. Vanderlip, 8 February 1933, Gannet papers, Cornell.

During Sexauer's first year on the Executive Board, more than fifty farm organizations became "endorser-members" of the Committee for the Nation. A list of "endorser-members" is contained in "Resolution Inviting Cooperation of Business Leaders with Organized Agriculture," National Cooperative Milk Producers Federation, nd, but probably December 1933, Warren papers, Cornell.

[42]The National Industrial Conference Board studies completed for the Committee for the Nation during the interregnum were: "An Estimate of Interest-Bearing Debt in the United States, 1922-1929," Report No. 1, February 11, 1923, 3 pages; "The Present Position of Commercial Banking," Report No. 2, January 30, 1933, 5 pages; "The Financial Reconstruction Program of the United States Government to

On March 3, the Committee telegramed members of Congress its prescription for economic recovery. The Committee release stated that deflation must stop and announced that the principal means to restore prices lay in altering the monetary system. Specifically the Committee suggested five remedies: the guarantee of bank deposits, the suspension of specie payments and an embargo on gold exports, the devaluation of gold to an unspecified level, the implementation of the compensated dollar scheme, and the segregation of commercial from investment banking. Issued the day before Roosevelt's inauguration, the Committee's proposals almost perfectly anticipated the early New Deal monetary program.[43]

The resemblance of New Deal monetary decisions to the platform of the Committee for the Nation resulted from more than coincidence. During the interregnum Rumely, Warren and other inflationists pressed

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January 1933," Report No. 3, February 3, 1933, 6 pages; "The Decline of Purchasing Power of Industrial Workers, 1929-1933," Report No. 4, February 8, 1933, 3 pages; "The Urban Real Estate Mortgage Situation," Report No. 5, February 8, 1933, 8 pages; "Accomplishments and Limitations of the Financial Reconstruction Program of the Federal Government: The Federal Land Banks," Report No. 6, February 14, 1933, 8 pages; "The General Price Situation," Report No. 7, February 17, 1933, 8 pages; "Accomplishments and Limitations of the Financial Reconstruction Program of the Federal Government: The Glass-Steagall Act," Report No. 8, February 21, 1933, 5 pages; "Estimates of National Income," Report No. 9, February 24, 1933, 3 pages; "Purchasing Power Made Unavailable by Bank Closings and Hoarding," Report No. 10, March 1, 1933, 2 pages; "Accomplishments and Limitations of the Financial Reconstruction Program of the Federal Government: Enlargement of Federal Reserve Discount Powers; Extension of National Bank Note Circulation Privilege," Report No. 11, March 2, 1933, 7 pages; "Congressional Proposals for Raising Prices by Means of an Enlarged Monetary Circulation," Report No. 12, March 2, 1933, 11 pages. The reports are contained in the Dairymen's League papers, Cornell.

[43]"Introduction to Interim Report of the Committee for the Nation," February 26, 1933, 20 pages, Dairymen's League papers, Cornell.

on Roosevelt and his advisors inflationary monetary views. Rex Tugwell rebuffed Rumely's first effort to contact Roosevelt but on January 9, the irrepressible inflationist used a past Parent-Teacher Association affiliation with Mrs. Roosevelt to request that she pass to the President-elect certain propaganda materials. The soon-to-be first lady gave the information to Louis Howe, who not only met with Rumely but presented the documents to Roosevelt. Howe, Secretary to the President, stayed in contact with Rumely during the next few years and remained sympathetic to the Committee for the Nation viewpoint.[44]

During the interregnum Warren also gained access to the leadership of the incoming Administration. On several occasions he managed to discuss his inflation proposals with Eleanor Roosevelt. After one lively bout with her Warren recorded in his diary, "Mrs. R has a real understanding of all the work that Pearson and I have done and is quite able to put an economist on the rack if he disagrees with her."[45] On January 12, Warren admitting that he was "taking part in the favorite indoor sport of America," that of offering advice to Roosevelt, wrote the President-elect that his Administration would confront four main problems: the tariff and war debts issue, the money question, unemployment and the farm problem.[46] Roosevelt thanked the professor for his

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[44]Rumely to Mrs. Roosevelt, 9 January 1933, and Rumely, "Committee for the Nation," Part II, page 1, Rumely papers, Indiana University.

[45]Warren Diary, 16 February 1933, Warren papers, Cornell.

[46]Warren to President-elect, 12 January 1933, and Warren to Henry Morgenthau, Jr., 4 March 1933, Warren papers, Cornell.

counsel and asked him to confer with Raymond Moley concerning the "monetary situation."[47]

In February, Warren and the Executive Board of the Committee for the Nation met with the President-elect and reviewed the pessimistic conclusions of the National Industrial Conference Board studies. Roosevelt asked the group to share its information with Treasury Secretary designate William Woodin. The inflationists conferred with Woodin in New York City on February 28, but reported that the president of the American Car and Foundry Company seemed distraught at the suggestion that the solution to deflation and the bank panic lay in raising the value of assets through gold devaluation. Woodin did agree, however, that it might be necessary to suspend specie payments.[48]

Though the most sophisticated of the genre, the Committee for the Nation was but one of several inflation groups organized during the interregnum. The Crusaders for Economic Liberty of Chattanooga, Tennessee contributed both impassioned rhetoric and the motto, "The Golden Rule instead of the rule of gold," to the campaign for monetary stabilization.[49] Other inflation committees were appointed in Iowa

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[47]Roosevelt to Warren, 3 February 1933, Warren papers, Cornell.

[48]Sexauer, Oral History, pp. 154-55; Sexauer papers, Cornell; Warren Diary, 28 February 1933, Warren papers, Cornell; Rumely to W. I. Myers, 28 October 1957, Pearson papers, Cornell

[49]The Crusaders for Economic Liberty sponsored H. R. 11898, 72d Congress, 2d Session. See also George W. Christians, President of Crusaders for Economic Liberty to Secretary of Agriculture, c. January 1933, Record Group 16, National Archives, Washington, D. C.

and Illinois.[50] The most distinctive of the regional organizations was probably the Sound and Honest Money Association, Inc. of Syracuse, New York. Organized February 24, 1933, the Association received the support of the New York State Grange, the State Horticultural Society, the Dairymen's League and the Farm Bureau. Charles R. White, President of the New York Farm Bureau, led the Association. The Syracuse group, philosophical disciples of George Warren, favored gold devaluation, the compensated dollar and an international conference to deal with silver remonetization.[51] A prominent New York agricultural leader, White on several occasions discussed monetary issues with Roosevelt. White reported that on the inflation issue the President-elect "assured us that we were right." White added that he "had faith" that Roosevelt "would be all right when the time came."[52] In the meantime the Sound and Honest Money Association sponsored a number of propaganda dinners and printed materials promoting the inflationist viewpoint.

While inflationists organized to push the New Deal away from orthodoxy, they maintained what leverage they could on the lame

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[50] Illinois Agricultural Association Record, II (February 1933), p. 10; and E. A. Ellison, Milford M. Beehgly, L. Mighell, W. Mighell and Oscar Heline to Wallace, 4 March 1933, Record Group 16, National Archives, Washington, D. C.

[51] The (Syracuse) Post-Standard, February 25, 1933, p. 1; and C. R. White to Dear Sir, 21 February 1933, Warren papers, Cornell; "Purposes For Which the Organization Has Been Formed," mimeographed, February 24, 1933, Dairymen's League papers, Cornell.

[52] White to Henry A. Wallace, 3 March 1933, Record Group 16, National Archives, Washington, D. C. Another example of a Roosevelt "off the record" endorsement of inflation is recorded in Frank Freidel, Franklin D. Roosevelt: The Triumph (Boston: Little, Brown & Co., 1956), p. 351.

duck Congress. The second session of the Seventy-second Congress convened on December 5, 1932 and adjourned 11:24 a.m., March 4, 1933, only minutes before Roosevelt received the presidential oath. The transition from New Era to New Deal was tremulant and partisan.[53] A legislative cripple, the interregnum Congress proved the wisdom of eliminating lame duck sessions altogether.[54] Observers reported that "procrastination" and "obstruction" prevailed. Senator Arthur Capper of Kansas accurately predicted that the interregnum Congress would be but a "John the Baptist" that could do little more than "prepare the groundwork" for the incoming Administration.[55]

Though the lame duck session proved generally unproductive, it provided further evidence as to the growing demands for inflation. The crescendo of inflation proposals that marked the first session of the Seventy-second Congress intensified during the short interregnum session.[56] The National Industrial Conference Board reported to the

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[53]Jordan A. Schwarz, The Interregnum of Despair: Hoover, Congress, and the Depression (Urbana: University of Illinois Press, 1970), pp. 202-25. Hoover's view of the interregnum is presented in Edgar Eugene Robinson, The Roosevelt Leadership, 1937-1945 (Philadelphia: J. B. Lippincott Co., 1955), pp. 81-103. Roosevelt's resentment of Hoover is portrayed in Grace Tully, F.D.R.: My Boss (Chicago: People's Book Club, 1949), pp. 57-68.

[54]Pendleton E. Herring, "Second Session of the Seventy-second Congress," American Political Science Review, XXVII (June 1933), pp. 404-22; and Arthur Capper, "'Politics' Balls Up the Short Session," Capper's Weekly, LVIII (February 4, 1933), p. 2.

[55]Arthur Capper, "The Short Session Won't Do Much," Capper's Weekly, LVII (December 31, 1932), p. 2.

[56]See "Campaign for Inflation Gaining," Wallaces' Farmer, LVIII (January 21, 1933), p. 4; and Clifford Gregory, "Inflation Needed to Raise Prices," Prairie Farmer, CV (January 21, 1933), p. 8; Arthur Capper, "The Dollar, The Debtor and Congress," Capper's Weekly, LVIII

Committee for the Nation that the two sessions of the 72d Congress witnessed the introduction of 19 bills calling for extraordinary currency issue, five bill proposing the devaluation and stabilization of the gold dollar, 17 bills providing inflation through legislation favorable to silver, and more than 100 bills requiring credit expansion through one of the various government lending institutions. An analysis of the authorship of the bills illustrated that the strongest support for inflation legislation emanated from western and southern states. The study observed that inflationary measures commanded "a considerable congressional minority" though the volume and variety of bills indicated a lack of unanimity on behalf of any particular inflation remedy.[57]

During the lame duck session the most active Senate inflationists included silverites Burton K. Wheeler of Montana and William Borah of Idaho, the devaluationist Tom Connally of Texas and the determined if indiscriminate inflationist Elmer Thomas of Oklahoma.[58] Early in

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(January 14, 1932), p. 2; "The Farm Bureau at Washington," Illinois Agricultural Association Record, II (March 1933), p. t. Conservatives also were aware of the strength of the demands for inflation. See the statement of alarm by Republican National Committee chairman, Senator Simeon Da Fess of Ohio in U. S., Congressional Record, 72d Congress, 2d Sess., February 21, 1933, pp. 4571-73.

[57]National Industrial Conference Board, "Congressional Proposals for Raising Prices by Means of an Enlarged Monetary Circulation," Report No. 12 for the Committee for the Nation, March 2, 1933, 11 pages.

[58]For biographical background see LeRoy Ashley, The Spearless Leader: Senator Borah and the Progressive Movement in the 1920s (Urbana: University of Illinois Press, 1972), 325 pp; and Claudius O. Johnson, Borah of Idaho (New York: Longmans, Green and Co., 1936), Tom Connally, as told to Alfred Steinberg, My Name is Tom Connally (New York: Thomas Y. Crowell, 1954); Frank H. Smyrl, "Tom Connally and the New Deal" (unpublished Ph.D. dissertation, University of Oklahoma, 1968), 242 pages; Burton K. Wheeler with Paul F. Healy, Yankee from the West (Garden City, New York: Doubleday and Company, Inc., 1962); Eric Manheimer, "The Public Career of Elmer Thomas," (unpublished Ph.D. dissertation, University of Oklahoma, 1952).

the session about two dozen representatives including Wright Patman of Texas and Thomas Jefferson Busby of Mississippi formed a "currency-reform group" that periodically met to review inflation proposals.[59] Throughout the session new converts announced their faith in inflation including Majority Floor Leader and first New Deal House Speaker Henry T. Rainey of Illinois.[60]

Though most observors agreed that Congressional sentiment favoring inflation had reached formidable proportions the only vote on the issue in the lame duck session came on a silver remonetization proposal. From 1926 to 1932 the price of silver dropped from 73 cents to just under 25 cents an ounce, an all time low. Senators from mining states urgently requested that the federal government "do something for silver."[61] With the onset of the Great Depression in 1929, inflationists, as they had in the past, turned to silver as a base for currency issues. Silver politicians, anxious to broaden support for the rehabilitation of silver, often solicited and welcomed the silver-inflationist demands of debtor groups.[62]

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[59] U. S., Congressional Record, 72d Congress, 2d Sess., December 30, 1932, p. 1135.

[60] "The Parade of the Week," Prairie Farmer, CV (February 4, 1933), p. 4.

[61] A historical sketch of the silver issue from Hayes to Hoover is provided in Jeannette P. Nichols, "Silver Diplomacy," Political Science Quarterly, XLVIII (December 1933), pp. 565-88. The work of silverites from 1929-1933 is traced in Herbert Bratter, "The Silver Episode," Journal of Political Economy, XLVI (1938), pp. 609-21. A reinterpretation of a leading silverite is Arthur F. Sewall, "Key Pittman and the Quest for the China Market, 1933-1940," Pacific Historical Review, XLIV (August 1975), pp. 351-71.

[62] Generalizations about the silver bloc are frequently subject to qualification. Some silver politicians like Borah opposed

Agriculturalists viewed the monetary use of silver as combining a plentiful currency supply with the safety of a metallic base. In addition, bimetallism enjoyed the authenticity of a tradition, for "the people's money" was touted as the currency of Washington, Jefferson, Jackson and Bryan. It was apparent that farm prices must be raised and silver remonetizationists promised to cheapen the dollar and lighten the debtor's burden. Thomas E. Howard, Chairman of the Board of Directors of the National Farmers' Union, cataloged the farm hopes for remonetization in a national radio address entitled "Bi-Metallism or Communism." According to Howard, remonetization would broaden the monetary base and "open up another great reservoir from which the fields of commerce and business might be adequately irrigated." Further, it would provide the silver states with a prosperous industry; "free the nation from the international money racketeers" who control the banking and credit institutions; unleash the frozen assets of the nation; allow America to collect the war debts; restore world trade and the purchasing power of the people. In connection with the last claim,

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bimetallism for they feared the prejudice associated with the word would prevent easterners from supporting a subsidy for the mining industry. Key Pittman's biographer stated that "Silver Key" was not an inflationist "and he probably cared little about agricultural prices." See Fred L. Israel, Nevada's Key Pittman (Lincoln: University of Nebraska Press, 1963), pp. 87-88. Yet Pittman's principal silver proposal in the first session of the Seventy-second Congress, S 3606 was reintroduced into the House (H.R. 12598) by Thomas D. McKeown, an agricultural representative from Oklahoma.

The nuances of the silver bloc from the crash of 1929 to March 4, 1933, are examined in John A. Brennan, Silver and the First New Deal (Reno: University of Nevada Press, 1969), pp. 1-63. Yet as one reviewer concluded, Brennan failed to give much emphasis to agriculture's role in bringing about the silver legislation of the 1930s. See John L. Shover, Review of Silver and the First New Deal, by Brennan, Agricultural History Review, XLV (April 1971), p. 133.

Howard predicted that remonetization would raise the price of commodities to the farmer enabling him to secure more dollars for less product, and allowing him to pay his just debts.[63] The argument, though flawed in economic fact, provided a simple and attractive elixir that gained the support of many agricultural spokesmen in the 1930s. Morgenthau recalled that demands for increased utilization of silver often punctuated the farm conferences of early 1933.[64] The preoccupation of the rural mind with the silver myth often resulted in agricultural spokesmen appearing more dogmatic on the issue than those within the mining industry. In the interregnum Congress, six of the eight principal silver bills were the work of congressmen from agricultural states.[65]

Senators Burton K. Wheeler of Montana and William Borah of Idaho especially represented the marriage of farmer and miner, of inflationist and silverite. In addition to the traditional inflationist arguments for silver based on the quantity theory of money, silverites claimed that remonetization would result in the restoration of the American agricultural export market. American farmers, the argument contended, competed at a disadvantage with producers who lived in cheap

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[63] Thomas E. Howard, "Bi-Mettalism or Communism: Money Racketeers Now in Control," pamphlet (Chicago: National Farmers' Union, August 27, 1932), 27 pages.

[64] John Morton Blum, From the Morgenthau Diaries: Years of Crisis, 1928-1938 (Boston: Houghton Mifflin Co., 1959), p. 1843.

[65] See H. R. 14300, January 18, 1933, by Shallenberger of Nebraska; H. R. 13931, December 28, 1932, by Cross of Texas; S. 5444, January 10, 1933, by Bankhead of Alabama; S. 5342, January 6, 1933, by Dill of Washington; H. R. 14281, January 17, 1933, by Steagall of Alabama, and H. R. 14374, January 23, 1933, by Dies of Texas.

currency countries. Wheeler explained that because Argentine currency had depreciated 40 per cent, the Argentine farmer received 40 per cent more currency for his product. Thus the Argentine farmer could retire more fixed costs than his American counterpart who suffered from an appreciated currency. Silver apologists also claimed remonetization would result in higher world commodity prices. Wheeler believed that restoring silver would "double the primary money of the world" and "increase the purchasing power of over 60 per cent of the peoples of the world." The rehabilitation of silver and the enhanced purchasing power of the silver currency nations would result in revived export markets, stimulated industry, and restored prosperity.[66]

During the winter of 1932-1933, William Borah reiterated his belief that the money question "lies at the base of all our troubles, especially the farmer's."[67] Though he did not favor independent bimetallism, the "Lion of Idaho" believed "there must be a reflation" of the currency.[68] His program for agriculture included the refinancing of farm debt and the securing of an international agreement on silver. Should the attempt to stabilize world silver prices fail, the only alternative was gold devaluation and a "reasonable expansion of the currency" based in part on Treasury silver purchases. Throughout

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[66]A major Wheeler speech on the subject is recorded in U. S., Congressional Record, 72d Cong., 2d Sess., January 24, 1933, pp. 2349-2359; Pittman's view of the thesis is reviewed in Sewall, "Key Pitman," pp. 355-56.

[67]Borah to E. J. Cantonwine, 20 January 1933, Borah papers, Manuscript Division, Library of Congress.

[68]Borah to H. C. Austin, 23 January 1933, Borah papers, Manuscript Division, Library of Congress.

Borah's correspondence he emphasized the theme that a healthy agriculture depended upon revived export markets and that in turn awaited the restoration of the world price of silver.[69]

The inflation controversy caught the attention of the Senate on January 23, 1933. A New York Times reporter observed, "The whole question of currency inflation, which has been stalking the Capitol for weeks and so far has been held behind cloak-room doors, boiled out on the floor of the Senate today and precipitated the most serious debate which has held the attention of that body in a long time."[70] Senator Wheeler had provided the catalyst for the inflation debate when he moved to attach a 16-to-1 silver remonetization amendment to the Glass branch banking bill.[71] During the ensuing two-day debate farm state Senators Thomas of Oklahoma, Long of Louisiana, Sheppard of Texas and Brookhart of Iowa joined Wheeler in praising the advantages of free silver. Thomas, an eclectic inflationist, demanded expansion of the currency through any means, "I care not what kind--silver, copper, brass, gold or paper."[72] Senator Sheppard of Texas represented many

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[69]Borah's attitude toward farmers, inflation and silver may be ascertained in the following letters: Borah to W. Scott Hall, 28 December 1932; Borah to Stroebel, 28 December 1932; Borah to Jos. Cannon, 10 January 1933; Borah to Jos. J. Turner, 12 January 1933; Borah to Richard L. Jones, 18 January 1933; Borah to H. C. Austin, 23 January 1933; Borah to Edmund Platt, 26 January 1933; Borah to Dr. G. W. States, 6 February 1933; Borah to M. E. Hay, 13 February 1933, and Borah to Mrs. Joseph Childres, 18 February 1933, Borah papers, Manuscript Division, Library of Congress. See also "Dollar Our Big Problem: Borah Believes Country Has Dishonest Money," Oklahoma Union Farmer, XXI (November 1, 1932), p. 2.

[70]New York Times, 25 January 1933.

[71]U. S., Congressional Record, 72d Cong., 2d Sess., January 23, 1933, p. 2293.

[72]Ibid., January 24, 1933, p. 2362.

agrarians who discovered silver during the Battle of the Standards in the 1890s. Boasting that as a young orator he had authored the slogan, "And God said, let there be light, and there was Bryan," the Texan argued "we have a situation now practically parallel with the conditions of 1896."[73] Unfortunately for the remonetizationists, the Senate, at Senator Glass' insistence, voted 56 to 18 to table the Wheeler proposal.[74]

The vote on the Wheeler amendment, though a temporary setback for the cause of inflation, proved instructive. Agricultural senators cast 14 of the 18 votes against tabling the silver proposal. The majority of mining senators refused to support the Wheeler amendment because they either thought the remonetization program premature or because they backed an alternative silver program.[75] Yet the lesson of the Wheeler vote seemed clear. Once mining senators agreed on a common silver program the support of inflationist farm politicians might be secured and the farm-mine coalition of 1896 renewed.

Since the stalemated nature of the interregnum Congress offered little opportunity for legislative accomplishment, inflationists used the session to define and propagandize the monetary controversy. Representative Wright Patman continued the campaign to have the government pay more than two billion in United States notes to the veterans of World War I. Presented not only as a humanitarian measure but as a

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[73]<u>Ibid.</u>, p. 2352. [74]<u>Ibid.</u>, p. 2393.

[75]Borah to Nels Larson, 30 January 1933, Borah papers, Manuscript Division, Library of Congress; and Brennen, <u>Silver and the First New Deal</u>, pp. 59-60.

means to provide inflation through currency expansion, the Texan coined the motto, "You cannot fatten the herd by feeding the bull; Money must reach the people in some way."[76] Patman's Texas colleague, Senator Tom Connally, became an exponent of gold devaluation during the debate over the Wheeler amendment. Connally, concerned at the low prices and heavy indebtedness which confronted Texas farmers, argued that devaluation offered the most practical and direct method of raising farm prices and easing the financial burdens of the depression. The Connally campaign for a reduction in the gold content of the dollar was the forerunner of a more successful effort in the succeeding congress.[77]

Oklahoman Elmer Thomas utilized the interregnum to prepare for his eventual role as leader of the Senate inflation bloc. During the winter of 1932-1933, the Oklahoman engaged in extensive correspondence with such inflationists as the radio priest Father Charles Coughlin, the Committee for the Nation, and the Cornell economists Warren and Pearson.[78] In early February Thomas published the results of a survey taken among leading American economists which demonstrated that

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[76]Patman to Thomas, 15 January 1933, Thomas papers, University of Oklahoma.

[77]U. S., Congressional Record, 72d Congress, 2d Sess., January 24, 1933, pp. 2363-2372. Connally presented his views in the following letters: Connally to Major S. B. Moore, 28 January 1933; Connally to W. P. Allen, 18 January 1933; Connally to W. M. Covey, 30 January 1933; Connally to Hon W. O. Huggins, 6 February 1933; Connally to W. B. Bizzell, 6 February 1933; and Connally to Judge W. C. Morrow, 6 February 1933, Manuscript Division, Library of Congress.

[78]A sample of the pertinent correspondence is Coughlin to Thomas, 15 February 1933; Thomas to Coughlin, 16 February 1933; Thomas to Coughlin, 17 February 1933; Coughlin to Thomas, 28 February 1933; Committee for the Nation to Thomas, 21 January 1933; Thomas to Committee, 25 January 1933; Pearson to Thomas, 14 February 1933; Warren to Thomas, 1 February 1933; and Thomas to Bush, 9 February 1933, Thomas papers, University of Oklahoma.

inflation sentiment had invaded academe as well.[79] On February 15, the publicity conscious Senator wrote to the dozen most influential leaders of Wall Street, "we are forced to appeal from an impotent Congress and a short-sighted Administration to you, a higher power . . ." for support for the inflation cause.[80] If Thomas found few converts on the street, his activities at least notorized the demands of rural constituents for cheap money.

Agricultural congressmen joined others in the effort to direct the incoming Administration toward an inflationist course. In late November 1932, Wheeler visited the President-elect concerning the 16-to-1 remonetization proposal. Upon leaving the session with Roosevelt, Wheeler refused to reveal Roosevelt's attitude to reporters though they sensed that the Montanan seemed encouraged on the issue.[81]

The refusal of Senator Carter Glass of Virginia to serve the New Deal as Secretary of the Treasury may have been the most pregnant interregnum decision to effect Roosevelt's future monetary policies. Glass, the coauthor of the Federal Reserve Act of 1913, because of deserved prestige on economic matters and long service to the Democratic Party, received Roosevelt's invitation to join the cabinet as head of

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[79] U. S., Congressional Record, 72d Cong., 2d Sess., February 4, 1933, pp. 3372-3376; the originals are in the Thomas papers, University of Oklahoma.

[80] New York Times, 15 February 1933.

[81] Ibid., 1 December 1932.

the Treasury on January 19, 1933.[82] Agricultural inflationists were indifferent to the appointment recalling that the sharp-tongued Virginian had opposed them during the "Crime of 1920" skirmish, the Goldsborough and Strong hearings, and in the Wheeler amendment debates. Fortunately, from the inflationists' viewpoint, Roosevelt shared the concern that Glass might prove too inflexible on monetary issues. Raymond Moley, leader of the New Deal Brain Trust, recalled that on January 28, 1933, while negotiating with Glass concerning the Treasury appointment, Roosevelt sent him the following instructions: "So far as inflation goes, you can say that we're not going to throw ideas out of the window simply because they're labeled inflation. If you feel the old boy [Glass] doesn't want to go along, don't press him." The President may have been as relieved as agriculturalists when Glass declined the Treasury post on February 7.[83]

Even as Glass contemplated the Treasury appointment, Senator Thomas of Oklahoma inserted a Fraser Edwards column into the _Congressional Record_ that asserted Glass hesitated to join the New Deal cabinet because he feared Roosevelt's position on inflation. Edwards quoted "one of the men close to Roosevelt" as confiding, "Mr. Roosevelt said he was prepared to experiment with the currency situation. He wants a sound currency, as we all do, but he will sign a bill that will enable people to pay their debts." Edwards reported that insiders

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[82]A firsthand account of the Glass negotiations is provided in Raymond Moley, with the assistance of Elliot A. Rosen, _The First New Deal_ (New York: Harcourt, Brace and World, Inc., 1966), pp. 80-86.

[83]Raymond Moley, _After Seven Years_ (New York: Harper and Brothers, 1939), p. 119.

believed that Roosevelt would choose "the mildest form of inflation," one that might easily be dropped if it failed to promote reflation or terminated should the prices rise to satisfactory levels.[84] Prairie Farmer also counted the Glass decision a victory for inflation. Praising Roosevelt for the appointment of Wallace, "a valiant battler for farm relief and for inflation" as Secretary of Agriculture, the magazine continued, "the refusal of the conservative Carter Glass to accept appointment as Secretary of the Treasury, will be an indication that Mr. Roosevelt is not afraid of sensible inflation."[85]

As a result of the events of the interregnum, inflationists optimistically anticipated the coming of the New Deal. During the winter of 1932-1933, Roosevelt listened to the Committee for the Nation, read Warren and Pearson's gold articles, discussed the rehabilitation of silver with Wheeler and other silverites, reviewed the galley proofs of Irving Fisher's new book, Booms and Depressions, and confided privately to agricultural inflationists that he sympathized with their views. In addition, the negative response of Senator Glass to the Treasury post and the appointment of known inflationists such as Wallace and Morgenthau to New Deal positions gave further credence to the view that Roosevelt might begin inflationary programs.[86]

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[84]The column appeared in the Washington Herald, January 30, 1933. See U. S., Congressional Record, 72d Congress, 2d Sess., January 30, 1933, pp. 2864-2865.

[85]"The Parade of the Week," Prairie Farmer, CV (March 4, 1933), p. 4.

[86]The examples cited here that are not mentioned earlier in the chapter may be found in Daniel R. Fusfeld, The Economic Thought of Franklin D. Roosevelt and the Origins of the New Deal (New York:

Roosevelt's inaugural address, a progressive manifesto, reiterated at least three ideological notions common to inflationist oratory. First, the President described the acute effects of deflation. "Values have shrunken to fantastic levels," he said. Then in words reminiscent of a Heflin or a Father Coughlin, the speech castigated the "stubborness" and "incompetence" of the "unscrupulous money changers." Deprecating the banking fraternity had long been a favorite pastime of inflationists. The President also affirmed the positive use of the state in raising farm prices and restoring the economy. "Definite efforts" were to be undertaken "to raise the value of agricultural products." Roosevelt also requested "strict supervision of all banking and credits and investments" and proclaimed, "there must be provision for an adequate but sound currency."[87] The last statement caused some confusion among Roosevelt's listeners. One Congressman complained, "Where does he stand? His speech cuts both ways . . . sound currency, but at the same time lots of it." In their interpretations of the address, conservatives seized upon the adjective "sound" while inflationists stressed the word "adequate."[88] The placing of the "adequate but sound currency" clause in the same sentence that demanded supervised

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Columbia University Press, 1956), pp. 192-195. Roosevelt was an economics major his senior year at Harvard with a special interest in money and banking. He had been taught the validity of the quantity theory of money. Ibid., pp. 30-34.

[87]Though it omits an explanation of the "adequate but sound" phrase, the best exegesis of the address is Moley, The First New Deal, pp. 96-124.

[88]A survey of Congressional and Newspaper opinion relative to the address is printed in the New York Times, 5 March 1933.

banking and credit strengthened the argument that the Roosevelt money phrase implied the adoption of a managed currency system.[89]

Finally, the diary of Professor Warren of Cornell provided a glimpse into the President's monetary thinking at the end of the interregnum. On March 5, Warren travelled to Washington aboard an "aeroplane." Warren dined with his former student, Henry Morgenthau, Jr., head of the Farm Credit Administration. In the course of reviewing the President's attitude on the money question, Morgenthau informed the professor that Roosevelt had exclaimed, "Warren is absolutely right" on the necessity of restoring price levels. At 10:30 p.m., Warren, Moley, Woodin, Hull and Governor Lehman of New York met with Roosevelt to review the bank holiday proclamation and discuss monetary issues. Later Warren recorded in his diary, "Roosevelt showed me the debt and wealth comparisons for 1909 [sic] and had the relationships straight. He recognized that deflation cannot be gone through with." In good spirits Roosevelt read the bank proclamation and then returned to a discussion of inflation. "He [Roosevelt] indicated his interest in revaluation and hoped that the index number idea could be worked out." Then according to an outline entitled "Notes Used in Conference with Roosevelt," attached to the diary for March 5, Warren lectured the group on the need for "raising prices" through gold devaluation.

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[89]The ambivalent nature of the expression could reflect Roosevelt's desire to keep his options open. Moley believed that "Roosevelt wasn't sold on the idea of inflation before or immediately after his inauguration." See: Moley, <u>After Seven Years</u>, p. 156. Yet Moley admits knowing that Roosevelt "had certain unorthodox views" regarding monetary policy during the Glass negotiations. See: Moley, <u>The First New Deal</u>, p. 81.

He concluded that obtaining the commodity dollar "would be a great achievement."[90]

Thus the Ivy League professor depicted the President on his first day in office as a searcher for a monetary policy that might lift prices from their depressed levels. Agricultural inflationists, themselves veterans of the monetary wars, looked to the Roosevelt Administration to transform the common dream into national policy.

[90]Warren Diary, March 5, 1933, Warren papers, Cornell University.

CHAPTER VIII

INFLATION'S NEW DEAL: FARMERS, ROOSEVELT AND REFLATION

MARCH 4-JULY 27, 1933

The stock market crash, the bank runs and Roosevelt's inaugural address accentuated a loss of faith in economic orthodoxy. Capitalism's lost poise encouraged the rise of competitive economic doctrines. Inflation, comfortably familiar and yet modernized through the vocabulary of the new economics, enjoyed the broadest support of the would-be elixirs of 1933.

Inflationists claimed they offered the moderate and scientific remedy for the economic chaos of 1933. Those favoring inflationary proposals admitted that wild and unrestrained inflation would prove as disastrous as severe deflation. Many favoring monetary expansion disliked the appellation "inflationist" and instead labeled themselves "reflationists," "rational inflationists," "stabilizationists," or "controlled inflationists." _The Progressive Farmer_ proclaimed "what American farmers want is not unsteady and uncertain money _inflation_ but a genuine _stabilization_, fair to debtor and creditor alike."[1] Reflation theorists promised to restore prices to predepression levels through managed currency techniques. Relying on the monetary theses

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[1]Elmer Thomas to George E. Black, 20 April 1933, Thomas papers, University of Oklahoma, Norman, Oklahoma (hereafter cited as Thomas papers). _The Progressive Farmer_, XLVIII (March 1933), p. 30.

of Fisher, Commons and Warren, inflationists assumed that the new economics provided the tools to stabilize prices at any desirable level. The idea of a scientific currency added an aura of respectability and moderation to the inflation argument.[2]

The demands for inflationary monetary action during the winter of 1932-1933 gained a relentless momentum after Roosevelt's inauguration. Inflationists believed Roosevelt more congenial to their cause than his doctrinaire predecessor. The New Deal's first measures, the bank holiday proclamation, the embargo on gold and silver exports, and the restrictions on foreign exchange transactions, dramatically focused attention on monetary issues.[3] Furthermore, the great deflation responsible for the inclusion of the word "emergency" in the titles of so many legislative proposals, still plagued the nation. Between 1929 and 1932 gross farm income shrank 57 per cent while the Gross National

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[2]The concept of controlled inflation is reiterated in the following: Senator Duncan Fletcher, Chairman, Senate Banking Committee, New York Times, 20 April 1933; Senator Pat Harrison of Mississippi, U. S. Congressional Record, 73rd Cong., 1st Sess., April 25, 1933, p. 2322; Senator William Borah of Idaho, Ibid., April 17, 1933, p. 1831; "Reflation is Coming," American Agriculturalist, CXXX (April 29, 1933), p. 4.

[3]Monetary histories of the New Deal include: Helen M. Burns, The American Banking Community and New Deal Banking Reforms, 1933-1935 (Wesport, Conn.: Greenwood Press, 1974), 203 pages; Arthur Whipple Crawford, Monetary Management Under the New Deal: The Evolution of a Managed Currency System--Its Problems and Results (Washington, D. C.: American Council on Public Affairs, 1940), 364 pages; Milton Friedman and Anna Jacobson Schwartz, A Monetary History of the United States, 1857-1960 (Princeton: Princeton University Press, 1963), pp. 420 ff; James Daniel Paris, Monetary Policies of the United States, 1932-1938 (New York: Columbia University Press, 1938), 198 pages. A Memoir recalling the monetary events of 1933 is James P. Warburg, The Money Muddle (New York: Alfred A. Knopf, 1934), 272 pages. See also Elmus R. Wicker, "Roosevelt's 1933 Monetary Experiment," The Journal of American History, LVII (March 1971), pp. 864-879.

product declined from 104.4 billion in 1929 to 46.0 billion in 1933. Using 1926 standards the mortgage-ridden farmer had to raise $2.75 worth of commodities to retire $1.00 of debt in 1933.[4] "It's like I'd borrow a team from you, and when I brought the team back, you'd say I should have brought back four horses instead of two. That's what the gold dollar has been doing to the man who borrowed," explained a writer for Wallaces' Farmer.[5]

Farm organizations renewed the campaign for inflation on March 7 when representatives of the National Grange, the National Livestock Association, leading dairy, cotton and wool and poultry cooperatives met at Washington, D. C. to discuss a common agricultural program. The next day, the group sent a statement to Roosevelt warning that an "appalling number" of farmers faced bankruptcy unless the government exercised its monetary powers "to definitely raise price levels."[6] Meanwhile national Grange leaders adopted an inflation or bust slogan, "Reflate or Repudiate."[7]

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[4]U. S., Bureau of the Census, Historical Statistics of the United States, Colonial Times to 1957 (Washington, D. C., 1960), p. 351; New York Times, 30 April 1933.

[5]Wallaces' Farmer, LVIII (December 9, 1933), p. 612.

[6]Taber, et al., to the President, 8 March 1933, Louis J. Taber papers, Cornell University (hereafter cited as Taber papers). See also Sexauer to C. O. Moser, 9 March 1933, Dairymen's League papers, Cornell University (hereafter cited as DLP); and C. O. Moser, "Agriculture Asks Hand in New Deal," The Cattleman, XIX (April 1933), pp. 10-18.

[7]National Grange Monthly (May 1933), pp. 8, 10. Other farm groups endorsing inflation during the early weeks of the New Deal were: American Farm Economic League to Elmer Thomas, 1 April 1933, and Oklahoma Agricultural Cooperative Council, 28 March 1933 to Thomas, Thomas papers; Milking Shorthorn Society (Missouri) to Henry A. Wallace, 27 March 1933, Secretary of Agriculture, "Currency," Record Group 16, National Archives, Washington, D. C.

In early March, the Board of Directors of the American Farm Bureau at Chicago prepared legislative suggestions for the pending special session of Congress. The Bureau decided upon a four-point recovery program that emphasized government guarantees of bank deposits, parity prices for farm commodities, mortgage relief, and "immediate action" on the "recommendations of Dr. George W. [sic] Warren regarding monetary reform." Throughout the spring of 1933, President Edward O'Neal featured the Bureau's monetary program on the federation's national radio hour. On March 11, listeners heard O'Neal describe the monetary program as "more far-reaching and more fundamental" than other proposed remedial measures. O'Neal's speeches reiterated the gold scarcity thesis, urged devaluation to raise commodity prices and pressed for congressional enactment of the "honest dollar" monetary stabilization scheme.[8] The Bureau Farmer, the federation's national magazine, also participated in the campaign filling its pages with honest dollar propaganda.[9]

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[8]Official News Letter (March 9, 1933), p. 1; Ibid., (April 18, 1933), p. 3. See also Christiana McFadyen Campbell, The Farm Bureau and the New Deal: A Study of the Making of National Farm Policy, 1933-1940 (Urbana: University of Illinois Press, 1962), pp. 53-54, and Theodore Saloutos, "The American Farm Bureau Federation and Farm Policy: 1933-1945," Southwestern Social Science Quarterly, XXVIII (March 1948), pp. 332-333; and Saloutos, "Edward A. O'Neal: The Farm Bureau and the New Deal," Current History, XXVIII (June 1955), pp. 358-359.

[9]"Commodity Dollar Appears Likely," Bureau Farmer (NY ed), VIII (August 1933), pp. 8-9; "Dr. George F. Warren explains Currency Change," Ibid., (April 1933), p. 8; "Two Ways Out, Says Dr. Warren," Ibid., (NY ed., March 1933), pp. 8, 9; M. Raffetto, "Give the Farmer an Honest Dollar," Ibid., (Nev. ed., July 1933), pp. 7-8; H. B. Test, "Our Monetary System," Ibid., (SD ed., February 1933), p.b, and the following articles by George F. Warren: "America Needs Honest Dollars," Ibid., (Minn. ed., February 1933), pp. a-b; "Gold and the Price Situation," Ibid., (Ill. ed., January 1933), p. 9; and "Stabilization of the Measure of Value," Ibid., (Vt. ed., February 1933), pp. a-f.

The self-confessed "militant voice of agriculture," John A. Simpson, President of the Farmer's Union, wrote Roosevelt the day before the inaugural that "All other measures will fail until such time as our monetary system has been intelligently revised."[10] Simpson, the leading agitator for the small, poorer farmer, equated intelligent monetary reform with 16-to-1 bimetallism and generous issues of fiat currency. The farm leader informed Congress that if it would remonetize silver it could adjourn confident that it had "not only saved the Nation but the World."[11] The Farmer's Union and its direct-action arm, the Farmers Holiday Association, also backed a greenback scheme which the 20th Century populists labeled "prosperity notes" or "Liberty Notes." Simpson explained the government could stabilize the price level through controlled expansion or contraction of the amount of "liberty notes" in circulation.[12]

An irascible critic of much of the New Deal agricultural program, Simpson pressed on Roosevelt the farmer's need for real inflation.[13]

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[10]Simpson to FDR, 3 March 1933, John A. Simpson papers, University of Oklahoma, Norman (hereafter referred to as the Simpson papers).

[11]U. S., _Congressional Record_, 73rd Cong., 1st Sess., March 28, 1933, p. 909. See Simpson's testimony before U. S. Congress, Senate, Committee on Agriculture and Forestry, _Hearings on H. R. 3835, An Act to Relieve the Existing National Emergency by Increasing Agricultural Purchasing Power_, 73rd Cong., 1st Sess., 1933, pp. 171, 465; see also "Billings Montana Radio Speech," typed copy, c. November 1933, 42 pages, Simpson papers.

[12]See S. 788, U. S., _Congressional Record_, 73rd Cong., 1st Sess., March 23, 1933, pp. 785-6, by Thomas of Oklahoma, March 13, 1933, and "Economic Problems," radio address by Simpson, March 25, 1933, 14 pages, Simpson papers; Tom W. Cheek, "The Money Changers Are Fleeing From the Temple," _Oklahoma Union Farmer_, XIV (March 15, 1933), p. 1.

[13]Simpson to FDR, 14 September 1933, Simpson papers.

Unhappy with Roosevelt's mild inflationary program, Simpson in the fall of 1933 proclaimed that while he had "Faith in Roosevelt," he had little in the President's program.[14] The Oklahoman blamed the Chief Executive's weakness on inept advisors.[15] Simpson argued the President could restore prosperity "in twenty-four hours" if he would remonetize silver, cut in half the gold content of the dollar, and pay public debts with "full legal tender non-interest-bearing currency." The morning after Roosevelt adopted such a program wheat would sell for three dollars a bushel and cotton for forty cents a pound.[16] Simpson and his farmer followers represented a strident populist voice that though often dissonant, received a patient hearing from the New Deal.[17]

Often as financially troubled as their subscribers, farm journals joined agricultural organizations in the inflation campaign of 1933. As a minimal demand the pro-inflation journals asked that the government provide reflation of commodity prices through either gold devaluation or limited silver remonetization. Farm papers often admitted an inexpertise on monetary issues but seemed in a mood to support any action which promised relief. "Well," wryly confessed one

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[14]"Faith in Roosevelt, Not in Program: Open Letter to FDR," Oklahoma Union Farmer, XVII (September 15, 1933), p. 1.

[15]Simpson to FDR, 14 September and 24 October 1933, Simpson papers.

[16]Simpson-Roosevelt correspondence regarding monetary policy includes: Simpson to FDR, 3 April 1933, and 30 April 1933, 6 May 1933, 5 June 1933, 16 August 1933, 24 October 1933, and 28 October 1933. See also Roosevelt to Simpson, 6 April 1933, 20 May 1933, 24 October 1933, and 15 November 1933, Simpson papers.

[17]John L. Shover, "Populists in the Nineteen-Thirties: The Battle for the AAA," Agricultural History, XXXIX (January 1965), pp. 17-18.

editorial, "the woods are full of them [reflationists] and Breeder's Gazette is in the woods, too."[18] At least four influential farm periodicals maintained a sturdy interest in the inflation cause. The quartet: Prairie Farmer, Wallaces' Farmer and Iowa Homestead, American Agriculturalist, and Progressive Farmer and Southern Ruralist, presented readers with literate and exhaustive amounts of pro-inflation copy.[19]

Chicago's Prairie Farmer and its editor Clifford Gregory, principal author of the Farm Bureau's 1932 pamphlet "Honest Money," continued their editorial campaign for inflation during 1933. Allied with the Illinois Agricultural Association and the Farm Bureau, the magazine lauded the Warren gold formula in its feature cartoons, in its news summary "Parade of the Week," and in Gregory's personal column "From the Editor's Haymow." The journal supported the domestic allotment

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[18]Breeder's Gazette, XCVIII (April 1933), p. 4. See also "Ask Monetary Revision," American Creamery, LXXV (April 12, 1933), p. 834, and Fred H. Sexauer, "Depreciated Currencies," Ibid., (December 1932), p. 258; "How Much Are We To Be Inflated?," Producer, XIV (May 1933), pp. 12-13; "Higher Commodity Prices," Milk Dealer, XXII (April 1933), pp. 38-39; "Inflation," Hoards Dairymen, LXXVIII (May 25, 1933), p. 1; "In Order to Pay Our Debts," New Agriculture Review, I (August 1932), p. 3; W. C. Jones, "Changing Our Monetary Basis," National Wool Grower, XXII (June 1932), pp. 30-31; "Nation Needs a Lower-Priced Dollar," Capper's Weekly, LVIII (March 18, 1933), p. 2, and "The Money Crisis is Nothing New," Ibid., (March 11, 1933), p. 1; "Hail and Hello, Henry Wallace," Pacific Rural Press, (March 18, 1933), p. 4. Gilbert Fite discovered that while farm journals tended to avoid other issues, they provided copious support for inflation. See "Farmer Opinion and the Agricultural Adjustment Act, 1933," Mississippi Valley Historical Review, XVIII (March 1962), pp. 671-672.

[19]These four periodicals and The Farmer (St. Paul), edited by Dan Wallace, are cited as contributing most to the farm organization's drive for honest money in W. R. Ogg, "History of Farm Bureau's Activities for Monetary Reform," mimeographed (1934), 14 pages, especially pp. 13-14, American Farm Bureau Federation Files, Chicago, Illinois.

features of the AAA but emphasized that reflation and stabilization were essential for the restoration of farm prosperity.[20]

Henry A. Wallace's appointment as Secretary of Agriculture brought increased prestige to Wallaces' Farmer and Iowa Homestead but no lessening of the magazine's campaign for monetary reform. Donald R. Murphy, Wallace's successor as editor of the Iowa paper, continued to push the Fisher-commodity dollar plan and perceived the slightest Administration inflationary move as proof that the honest money cause approached victory. The magazine frequently described the "Roosevelt-Wallace" farm program as providing a "two horse team"--"controlled inflation" and "controlled production" and asserted that both were necessary to pull farmers out of the economic mire.[21]

New York's American Agriculturalist also contributed an official to the inner circle of the New Deal. Henry Morgenthau, Jr., publisher of the biweekly farm journal and a long-time friend of Roosevelt's, received appointment as Governor of the Farm Credit Administration in March 1933. Morgenthau, a proponent of "honest money" doctrines, channeled the ideas of his former Cornell professor, George F. Warren,

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[20]See the following 1933 issues: Prairie Farmer, CV (March 4), pp. 4, 8; (April 15), p. 4; (April 29), pp. 1, 4; (May 27), pp. 4, 6; (July 8), p. 4; (August 5), pp. 16-17; (September 2), p. 4; (September 30), p. 4; (October 14), p. 4; (November 25), p. 4; (December 9), pp. 1, 5. See also James F. Evans, Prairie Farmer and WLS: The Burridge D. Butler Years (Urbana: University of Illinois, 1969). See also C. V. Gregory, "Money Question," Bureau Farmer (Iowa ed.), VII (March 1932), pp. 13, 14.

[21]See the following 1933 issues: Wallaces' Farmer and Iowa Homestead, LVIII (March 18), p. 120; (April 29), pp. 1, 8, 18; (May 13), p. 208; (May 27), p. 237; (July 22), p. 320; (September 16), p. 412; (October 14), p. 481; (October 28), p. 1, 10; (November 11), p. 548; (November 25), p. 588; (December 9), p. 612.

to both the subscribers of American Agriculturalist and Roosevelt.[22]

In June 1932, Morgenthau, busy with the affairs of Roosevelt's candidacy, accepted as an "assistant publisher" Howard Edward Babcock, president of Ithaca's powerful Cooperative Grange League Federation Holding Company and former professor of marketing in Warren's department at Cornell.[23] The new Morgenthau associate, a fervent inflationist, helped establish the Sound and Honest Money Association in early 1933 and gathered agricultural support for the Committee for the Nation. In collaboration with Fred Sexauer, Babcock successfully promoted the candidacy of inflationist Judge John D. Miller to the presidency of the prestigious National Cooperative Council. Through Miller the New York inflationists gained access to and support from the great majority of the nation's agricultural cooperatives.[24]

Babcock gained great notoriety for the honest money crusade in his popular, if controversial American Agriculturalist column, "Kernels, Screenings and Chaff." Babcock believed farmers suffered not from overproduction of commodities but from underproduction of gold. In May,

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[22]See the Warren Diary, March 5, July 7, August 14, November 17, 1933, Warren papers, Cornell University (hereafter cited as Warren Diary), and the Henry Morgenthau, Jr., "Farm Credit Diary," May 8, July 3, September 26, Franklin D. Roosevelt Library, Hyde Park, New York. Also Warren to Morgenthau, 4 March 1933, 15 March 1933, 7 July 1933, 16 October 1933, Warren Papers. Details of Babcock and the GLF are found in Thomas E. Milliman and Frances E. Sage, The GLF Story, 1920-1964: A History of the Cooperative Grange League Federation, Inc. (Ithaca, New York: Wilcox Press, Inc., 1964), 465 pages, especially pp. 83-85.

[23]American Agriculturalist, CXXIX (June 1932), p. 1.

[24]Babcock to Sexauer, 14 February 1933 and Sexauer to Babcock, 18 February 1933, DLP. See also Gould Coleman, Oral History of Fred H. Sexauer, Auburn, New York, 1963, pp. 68-69, 151, Sexauer Papers, Cornell University (hereafter cited as Sexauer papers).

Babcock began publishing a review of the daily prices of gold, and claimed the quotations of gold prices were more fundamental to farm prosperity than the indices of the various commodity markets. "Generally speaking, rising gold prices in terms of dollars means cheaper dollars and therefore higher commodity prices."[25] Babcock's decade-long promotion of the Warren gold program helped create a tenacious commodity dollar following among Northeastern farmers.[26]

The South's largest farm journal, The Progressive Farmer and Southern Ruralist, traced its heritage to Colonel Leonidas L. Polk, a leader in the Alliance and Populist movements of the late Nineteenth Century. Continuing the Populist stance of the magazine, Clarence Poe, President-editor of the journal, revived the money issue as early as 1930.[27] Confronted with the Great Depression and the farm paper's near bankruptcy, Poe filled issue after issue with pro-inflation copy. Leaning not only on Populist ideology, but on Fisher and the Stable Money Association and later Warren and the Committee for the Nation, Poe concluded that reflation, gold stabilization, and silver

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[25]See the following 1932 Babcock columns: American Agriculturalist, CXXIX (November 26, 1932), p. 14; (December 10, 1932), p. 14; (December 24), p. 18; and the following 1933 columns: American Agriculturalist, CXXX (January 7), p. 18; (March 4), p. 18; (March 18), p. 18; (May 13), p. 18; (July 8), p. 18; (September 2), p. 14; (November 11), p. 14; (December 23), p. 14.

[26]Ed Foster Oral History Project, Cornell University, pp. 82, 86. In early 1934, Morgenthau sold American Agriculturalist to a syndicate including Babcock and newspaper publisher Frank Gannett. See American Agriculturalist, CXXXI (January 20, 1934).

[27]Clarence Poe, My First 80 Years (Chapel Hill: The University of North Carolina Press), pp. 87-106, 223, 231.

remonetization were essential if southern farmers were to repay debts and regain prosperity.[28]

A believer in the positive uses of government, Poe accepted most of the New Deal programs, but ranked as first in priority the need for money reform. In February 1933, Poe published an open letter to Roosevelt in which he asserted that the year would be remembered as either "The Year of Liquidation or--the Year of Reflation." To insure the latter Poe recommended the immediate inactment of the honest dollar program.[29] Poe continued his pro-inflation campaign in his personal column, "The World's News: A Monthly Review," reminding readers as late as 1936 of the need for gold management.[30] In May of 1933 and continuing for five months, The Progressive Farmer featured a major series entitled "Iron Debts and Rubber Money." The essays, complete with tabular evidence, demonstrated to farmers the evils of a fluctuating dollar and the necessity of reflation.[31] Throughout the

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[28]The Progressive Farmer and Southern Ruralist: XLV (July 7, 1930), p. 561; XLV (December 1, 1930), p. 1010; LXVI (May 1, 1931), p. 330; XLVI (October 1, 1931), p. 576; XLVII (January 1, 1932), p. 6; LXVII (February 1, 1932), p. 6; XLVII (May 1, 1932), p. 6; XLVII (June 1, 1932), p. 4; XLVII (August 1932), p. 4.

[29]The Progressive Farmer, XLVIII (February 1933), p. 30.

[30]See the following Poe columns: The Progressive Farmer, XLVIII (March 1933), p. 30; XLVIII (April 1933), p. 26; XLVIII (May 1933), p. 26; XLVIII (June 1933), p. 22; XLVIII (August 1933), p. 22; XLVIII (October 1933), p. 48; XLVIII (December 1933), p. 261; XLIX (March 1934), p. 46; L (May 1935), p. 50; LI (October 1936), p. 58.

[31]Eugene Butler, "Iron Debts and Rubber Dollars," The Progressive Farmer, XLVIII (May 1933), pp. 4, 24; Ibid., (June 1933), p. 6; Butler, "Six Anti-Inflation Arguments Answered," The Progressive Farmer, XLVIII (July 1933), p. 5; Butler, "America Abandons Its 'Cross of Gold,'" The Progressive Farmer, XLVIII (August 1933), p. 7; Butler, "What About

monetary wars of the 1930s, Poe, representing a journal read in more than one million farm homes, actively encouraged inflationists and endorsed their cause.[32]

Though the campaign for honest money relied on the farm organizations for political strength and the farm journals for editorial vigor, the Committee for the Nation functioned as the nerve center of the 1933-1934 monetary reform crusade. Under the leadership of Edward A. Rumely and a five member Directing Committee, the organization established headquarters at 205 East 42nd Street, New York City and proceeded to enlist farmer and businessman into a powerful national inflation lobby. By May 1, the Committee boasted a membership of "one thousand industrial leaders" and eighty-nine per cent of the heads of American farm organizations.[33]

Silver Money?," The Progressive Farmer, XLVIII (September 1933), pp. 14, 33. See also "Only Inflation Can Help Cotton Prices," The Progressive Farmer, XLVIII (October 1933), p. 3; "Inflation the Quick Remedy," The Progressive Farmer, XLVIII (November 1933), p. 3; "Taking Another Plank From the Populist Platform," The Progressive Farmer, XLVIII (December 1933), p. 3; "Honest Dollar Upheld," The Progressive Farmer, L (April 1935), p. 5; "Production Control vx Dollar Devaluation," The Progressive Farmer, L (August 1935), pp. 3, 33; "Still Worship the Gold Standard," The Progressive Farmer, LI (October 1936), p. 5.

[32]Borah to Poe, 6 December 1932, Borah papers, Manuscript Division of the Library of Congress, Washington, D. C.; Poe to Thomas, 7 February 1933, Thomas papers; Poe to Wheeler, Wheeler papers, Manuscript Division, Library of Congress; "Soliciting Your Help In To [sic] Great Movements," memorandum from The Progressive Farmer and Southern Ruralist, October 28, 1933, DLP; Clarence Poe to Wm. Chenery, Editor, Collier's Weekly, 20 October 1933, DLP. See also Poe, "Money That's Neither Honest Nor Stable," Pacific Rural Press, CXXV (March 25, 1933), p. 216, and Poe, "Yard always three feet, but a dollar--," Wallaces' Farmer, LVI (October 17, 1931), p. 1119.

[33]Committee stationary offered to send the names of the one thousand business leaders upon request. The eighty-nine per cent figure is in Rumely to Otto H. Falk, 1 May 1933, Rumely papers, Indiana

Rumely, an unabashed public relations promoter, ran the organization through frequent, often daily, mimeographed letters to the Directing Committee and the National Advisory and Auxiliary Committees of the organization. The Rumely letters, often marked "confidential" for no apparent reason other than dramatic effect, related Washington and Wall Street gossip, inflation campaign strategy, and the latest inflation apologetics. Frequently Rumely also included appeals for donations to the Committee's treasury.[34]

Rumely's requests for contributions met success. From its formal organization in January 1933 to July 1, 1934, the Committee spent $154,949.80. Durings its first eighteen months the Committee disbursed $38,586.82 for salaries and office expenses and $24,570.84 in research fees paid for the most part to the National Industrial Conference Board. The remaining Committee expenditures financed a heroic inflation propaganda campaign. By July 1934, Rumely reported that in addition to 26 monographs on monetary issues the Committee had published 4,951,387 pieces of printed matter. During 1933, the Committee also sponsored five National Broadcasting Company network broadcasts and managed to air 1006 fifteen-minute electrical transcriptions over 381 radio stations. Rumely believed in conversion through saturation.[35]

University (hereafter cited as Rumely papers). In a letter to the President, May 12, 1933, the Committee claimed to represent "over 85 per cent" of organized agriculture and 750 presidents of business concerns.

[34]The Rumely letters regarding Committee activities are about equally divided among the Rumely papers at Indiana University and the Dairymen's League papers at Cornell.

[35]The statistics are from "Financial Statement: January 1-July 1, 1934 and Program for Next Six Months of Committee for the

The Committee's efforts to influence businessman, politician and farmer were not limited to the impersonal media of radio and pamphlet. The Committee hosted propaganda dinners at Chicago's Union League Club for midwestern agricultural and business executives. On more exotic occasions Committee guests cruised Lake Michigan aboard the Mizpah, the yacht of Commander E. F. McDonald, Jr., President of Zenith Radio Corporation. In New York the Committee sponsored several parties at the Frank Vanderlip mansion on the Hudson where the rich Westchester County crowd gathered to imbibe cocktails and Warren's gold theories. Debt proved the common denominator between yachting inflationist and agrarian currency expansionist. Frank A. Pearson, Warren's Cornell colleague, characterized most of the Committee's dinner guests as "businessmen and speculators who couldn't pay their debts." Urban inflationists appeared as eager as the farmer to see higher price levels, Pearson recalled, "they poured a lot of money into the Committee for the Nation."[36]

The Committee also hosted several Washington dinners and seminars for Congressmen and government officials. Administration leaders including Morgenthau and Cabinet members Hull, Roper, Wallace and Woodin

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Nation," pamphlet (July 16, 1934), 16 pages and "Progress in 1933 Toward Realization of Program Proposed by Committee for the Nation and Statement of Expenses for 1933," nd, 3 pages, both in Rumely papers. The Rumely papers and the DLP contain quarterly and often monthly financial data of the Committee.

[36]Interview with Pearson, June 9, 1968, 201 Worth Street, Ithaca, New York. See also "Guests at Committee Dinner," October 23, 1933; W. W. Gasser to Rumely, 24 October 1933 and Rumely to Directing Committee, 26 October 1933, in DLP. Correspondence regarding the February 3, 1933 Committee dinner is in the Rumely papers.

met with Committee representatives to analyze monetary issues.[37] Occasionally up to 60 congressmen assembled to hear Warren present the Committee's viewpoint at the Mayflower Hotel or the House Office Building. By November 1933, Rumely reported that 150 solons had specifically requested a complete file of Committee literature.[38] Meanwhile the Committee received several dozen letters of support from leading politicians.[39]

While the Committee made flirtatious advances toward urban inflationists it soberly sought a working partnership with organized agriculture. Rumely's desire for an agricultural alliance sprang from both practical and romantic notions. He reminded business colleagues that farm organizations had developed great interest in monetary issues and that they could quickly exert influence in most of the nation's congressional districts.[40]

Interest in a farm-business coalition also emerged in part from a desire to preserve free-enterprise capitalism. Currency tinkering called for no fundamental revisions of America's mythical laissez-faire tradition and attracted many fearful of more radical alternatives.

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[37]Warren Diary, April 6-12, March 4-6, May 24, July 10-12, 1933.

[38]Rumely to Directing Committee, 4 November 1933, and 13 September 1933, DLP. Senator Connally of Texas remarks favorably on a Committee dinner in Connally to O. B. Burtness, 8 April 1933, Tom Connally Papers, Manuscript Division, Library of Congress, Washington, D.C.

[39]See O. B. Burtness to Rand, 30 March 1933, Connally papers; S. B. Pettingill to Rand, 20 September 1933, and Wright Patman to Rand, 2 May 1933, DLP. Also Patman to Committee, 10 February 1934, Daniel C. Roper to Rand, 20 March 1933 and Amos Pinchot to Rumely, 13 September 1933, Rumely papers.

[40]Rumely to Directing Committee, 17 October 1933, DLP.

A Committee pamphlet asked businessmen to "Remember that the Kulaks (independent farmers) resisted Russian communism long after city opposition had been suppressed."[41] Business self-interest dictated that something be done to alleviate farm distress for an unhappy agricultural industry would remain "an unsettling political influence" demanding greater government regimentation that would but damage industrial recovery.[42]

Although subordinate to the inflation campaign the business leadership of the Committee also hoped to convert farmers to the view that they had as much to fear from organized labor as management.[43] In the fall of 1933, J. H. Rand, Jr., writing as Chairman of the Committee's directors, asked Roosevelt to proclaim a six months moratorium on strikes and Rumely fretted that "an alliance between farmers and labor may take place against all capital. . . ."[44]

The Committee's inflationary, free enterprise and anti-labor program well suited its Contact Man with Agriculture, Fred H. Sexauer, President of New York's Dairymen's League. Sexauer worked closely on the Committee's monetary proposals with such agricultural leaders as L. J. Taber, Master of the National Grange, John D. Miller, President of the National Cooperative Council, Edward A. O'Neal, President of the Farm Bureau, M. Benton Blalock, President of the American Cotton

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[41]"Program for the Next Six Months," 16 July 1934, pp. 3, 4, DLP.

[42]Rumely to Directing Committee, 19 October 1933, DLP.

[43]W. W. Gasser to Rumely, 24 October 1933, DLP.

[44]Rumely to Directing Committee, 31 October 1933, DLP.

Cooperative Association and even John A. Simpson, President of the Farmer's Union, who cooperated with the Committee though he thought its inflation program mild and its method genteel. "Out here in the west," he wrote Rand, "we are fully convinced that the only way to get those in power in Washington to apply real remedies is to scare them."[45]

The agricultural members of the Committee did more than lend their names to the organization. They distributed Committee literature to their memberships, recruited inflation speakers for state and national meetings and petitioned Congress and the President on behalf of the Committee program.[46] The farm press also furthered Committee goals as it editorially supported the Committee and often relinquished its columns to Rumely press releases.[47]

George F. Warren provided the most direct link the Committee maintained with the White House. Warren stayed in Washington during inauguration week to discuss monetary problems with the President,

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[45]Simpson to Rand, 2 November 1933, DLP.

[46]A review of Committee-farm organization cooperation is provided in Sexauer to E. A. O'Neal, 17 July 1933, 9 pages, DLP. See also Utah State Farm Bureau to Committee, 22 November 1933, DLP.

[47]Examples are "Dr. George F. Warren Explains Currency Change," Bureau Farmer, VIII (April 15, 1933), p. 18; "Parade of the Week," Prairie Farmer, CV (April 15, 1933), p. 4; "Businessmen Advocate 75 Per Cent Inflation," Illinois Agricultural Association Record, II (May 1933), p. 15; "The Honest Dollar," National Grange Monthly, (May 1933), p. 8; "Gold Dollar is Unstable Says Committee for Nation," Tennessee Farm Bureau News, XI (June 1, 1933), p. 2. O'Neal praised the Committee in his radio address reprinted in Official News Letter (April 18, 1933), p. 3. See also G. Thorpe, General Manager, California Walnut Growers Association to the President, 24 May 1933, Southwestern Miller to Committee, 9 November 1933, and L. J. Taber to Rand, 21 October 1933, DLP.

Morgenthau, Moley, Tugwell and leading Congressional figures.[48] On March 15, Warren grew alarmed that the Administration seemed intent on maintaining the strength of the dollar in foreign exchanges. Explaining that closing the banks and the economy bill were "violently deflationary," Warren warned Morgenthau that "if the deflationists are to be allowed to have their way, tinkering with booze and domestic allotments is worse than fiddling while Rome burned." Impressed with the professor's alarm, the farm credit chief, in a procedure repeated frequently during the coming year, presented a Warren gold devaluation manifesto to the President.[49]

Toward the end of March 1933, the Committee published the "Five Next Steps" necessary to restore the economy. Step One called for the Administration to quickly reopen sound banks and guarantee their deposits. The program suggested that the United States continue its gold embargo and suspension of specie payments until domestic prices rebounded to a desirable level. Next the Committee advised Roosevelt to allow the dollar to depreciate in foreign exchange transactions in order to stimulate international debt repayment and foreign demand for American exports. The program also endorsed "at a future date" gold revaluation from $20.67 per ounce to $36.17, a cheapening of the dollar thought sufficient to restore 1926 commodity price levels. The final step urged the creation of a federal board to administer the Fisher

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[48]Warren Diary, March 5-7, 1933.

[49]See Warren to Morgenthau, 15 March 1933; Warren to FDR, 15 March 1933, and "There Are Only Two Ways Out of the Depression," memorandum by Warren, 25 March 1933, Warren papers.

commodity dollar scheme.[50] In sum, the Committee for the Nation program encouraged a mildly inflationary policy that with the exception of the fifth recommendation eventually found favor within the heirarchy of the New Deal.

The Committee immediately undertook an extensive campaign to bring the "Five Next Steps" to the attention of the Administration. Sexauer asked the farm organization to deluge Washington with mail and Warren recommended the program to Wallace who, in turn, presented it to Roosevelt.[51]

From April 5 to 18 Warren, at Committee expense, stayed in Washington attempting to draft a monetary bill embodying reflationist thinking. On April 6, Warren, Rand, Fisher, Congressman Goldsborough, and former Oklahoma Senator Robert L. Owen, a founder and now bitter opponent of the Federal Reserve, met with farm representatives including O'Neal, Taber and Simpson to discuss the proposed legislation. Though Simpson and about half of the conferees wanted to provide for the issuance of paper money, the proposal so split the discussants that Committee leaders decided to limit the bill to gold revaluation and stabilization.[52]

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[50]Rand to Fanny Scott Rumely, 30 March 1933, Rumely papers; and New York Times, 6 April 1933. An explanation of Warren's role in the preparation of "Five Next Steps" is found in Sexauer to Taber, 1 April 1933, DLP.

[51]Sexauer to All Cooperatives, 4 April 1933, DLP; Warren to Wallace, 4 April 1933, and Wallace to the President, 6 April 1933, Secretary of Agriculture, "Farm Relief 1933," Record Group 16, National Archives, Washington, D. C.

[52]Warren Diary, April 5-16; Rumely provides a detailed description of these conferences in Rumely to Rand, 9 April 1933, Rumely papers.

The Committee paid $3,000 to Washington lawyer and lobbyist Frederick P. Lee to draft the technical language of the bill. On April 20, Congressman Goldsborough, a member of the House Banking and Currency Committee, introduced the Committee's program in the form of two bills. The new Goldsborough proposals quickly received the public endorsement of the Committee, the National Grange and the American Farm Bureau Federation. The Goldsborough bill made mandatory the immediate devaluation of the gold dollar to a point calculated to restore the 1926 price level and called for the creation of a National Monetary Board charged with implementing the Fisher compensated dollar.[53]

Committee and farm inflationists met with the President on at least three occasions during the second week of April. At the first meeting Roosevelt assured the delegates that he believed in the Warren gold plan. At a second conference on April 12, a Committee delegation including Rand, Sexauer and Warren found the President in a receptive mood. He asked the specific number of gold grains that Warren favored in a revalued dollar. After jotting down the Warren figures the President encouraged the Committee to continue its work.[54] Two days later a delegation of farm leaders including Louis Taber of the National

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A typed draft of the proposed bill is in the Warren papers. See also Sexauer to Simpson, 20 April 1933, DLP, and Robert L. Owen to the President, 24 April 1933, and 3 May 1933, OF 229, Roosevelt Library, Hyde Park, New York (hereafter cited as Roosevelt Library).

[53]See H. R. 5073 and H. R. 5160, 73rd Cong., 1st Sess.; Warren Diary, April 16-18; and Sexauer to Lee, 20 April 1933, DLP.

[54]Warren Diary, April 12, 1933.

Grange informed Roosevelt that reflation and farm relief were inseparable.[55]

The Goldsborough gold program was but one of many monetary schemes presented to the new Administration. The New Deal scrutinized the Kent Plan, the Rorty Plan, scrip money, and stamp money, in addition to traditional monetary panaceas. Pamphlets and letters suggesting economic remedies inundated Washington.[56] One leaflet asked, "When Will Franklin Delano Drop Mustard Plasters and Hot Water Bottles, Go Direct to the Sore Spot, and Give the World an Honest Dollar?," while a telegram informed Roosevelt, "Your photo on the face of all new currency will give the public confidence."[57] Memory of such advice prompted Secretary of Treasury Woodin in his letter of resignation due to ill health to write Roosevelt, "This old boy Staphylococcus is one of the meanest ever, and hangs on even worse than the man with 147 pages of closely written manuscript elucidating a plan to save the country."[58] By April 18, the New York Times counted 57 inflation proposals

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[55]New York Times, 15 April 1933.

[56]Bimetallism received the support of two Texas Congressmen. See U. S., Congressional Record, 73rd Cong., 1st Sess., March 15, 1933, pp. 477-78 and 483-488. Interest free bonds are praised by Patman in Ibid., April 6, 1933, pp. 1368-70. A Connally gold proposal is examined in New York Times, 4 April 1933. Representative Pettingill of Indiana supported stamp money in Pettingill to Wallace, 3, 7, 11 of April 1933, Secretary of Agriculture, "Currency," Record Group 16, National Archives, Washington, D. C.

[57]A. W. Lafferty, "'Ghost' of the Gold Standard," pamphlet (March 24, 1933), 4 pages, Secretary of Agriculture, "Currency," Record Group 16, National Archives, Washington, D. C., and James J. Gillogly Association to President, 14 May 1933, OF 229, Roosevelt Library.

[58]Woodin to FDR, 5 July 1933, PPF 258, Roosevelt Library.

in Congress.[59] Generally, inflation demands fell into three categories: those that urged "doing something for silver," those that provided for currency expansion through government issue of greenbacks or non-interest bearing bonds, and those that advocated some form of gold management including devaluation and the commodity dollar.

The first Congressional test of inflation strength came appropriately during Senate debate on the Administration's farm relief bill. Senator Burton K. Wheeler of Montana with the aid of Louisiana's Huey Long and other farm state senators attempted to attach a 16-to-1 silver remonetization amendment to the farm bill on April 17.[60] Inflationist senators did not particularly oppose the domestic allotment idea, but they believed the proposal largely useless unless it included provisions for inflation. They argued that without inflation commodity prices would remain depressed and farm debts would grow all the more intolerable.[61]

After Senators Long and Wheeler reviewed the traditional silver litany, Senate Majority Leader Joseph T. Robinson of Arkansas informed

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59 New York Times, 18 April 1933.

60 U. S., Congressional Record, 73rd Cong., 1st Sess., April 17, 1933, pp. 1817-1842. See T. Harry Williams, Huey Long (New York: Alfred A. Knopf, 1970), p. 631.

61 The Senate Committee on Agriculture and Forestry in reporting favorably the farm bill also included a resolution that stated that no permanent relief could be expected until "the money question is considered adjusted." See U. S., Congressional Record, 73rd Cong., 1st Sess., April 17, 1933, p. 1844. The same view is repeated in letters from Senators to constituents. See Borah to David Travis, 21 March 1933, Borah papers, Manuscript Division, Library of Congress; Thomas to Hill, 24 March 1933, Thomas papers; Norris to C. J. Furer, 19 April 1933, Norris papers, Manuscript Division, Library of Congress.

his colleagues that the President opposed adoption of the Wheeler amendment. Several silver senators including William Borah of Idaho bowed to the wishes of the President and the proposition failed 43 to 33.[62]

The vote on the Wheeler measure proved instructive. First the vote displayed a graphic picture of economic geography, for with the exception of James Couzens of Michigan, no one from any state north of North Carolina and Kentucky or east of Wisconsin voted for the silver amendment. The 33 votes for the Bryanic formula also illustrated the growth of inflation sentiment in the Senate since January when a similar proposition received but 18 affirmative votes.[63] Presidential advisor Raymond Moley acknowledged that at least 10 inflationists senators had either voted "no" or had failed to answer the roll due to White House pressure.[64] Only insistent instructions from the President prevented a Senate inflation majority on April 17.

Defeat of the Wheeler Amendment proved but a temporary setback for Congressional inflationists. Immediately after the vote on the silver measure, Oklahoman Elmer Thomas introduced an amendment to the farm bill combining the major inflation suggestions into one omnibus proposal. The Thomas Amendment provided greater liberality in Federal Reserve open market operations, issuance of paper money, gold

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[62] U. S., Congressional Record, 73rd Cong., 1st Sess., April 17, 1933, p. 1842.

[63] Jeanette Nichols, "Silver Inflation and the Senate in 1933," Social Studies, XXV (1934), pp. 12-18.

[64] Raymond Moley, After Seven Years (New York: Harper and Bros., 1939), pp. 157-158; and Moley with the assistance of Elliot A. Rosen, The First New Deal (New York: Harcourt, Brace and World, Inc., 1966), p. 300.

devaluation and acceptance of silver in payment of the war debt. To add to the flexibility of the measure, Thomas proposed that the President be granted permissive powers to use none, one or any combination of the inflation techniques.[65] Thomas recalled that he purposefully chose the eclectic approach to inflation legislation "in order to secure the maximum support."[66] The Administration quickly saw the potency of the Thomas inflation package. Moley shuddered, "Here were all three of the dreaded proposals for inflation bound up together in a way deliberately calculated to enlist all the inflationist support in Congress."[67]

On the morning of April 18, Senators Robert J. Bulkley of Ohio and James Byrnes of South Carolina informed Roosevelt that the Thomas Amendment would pass Congress. The President asked Byrnes to approach Thomas with an offer of Administration support if the Oklahoman would agree to certain revisions of the amendment.[68] A few hours later, Thomas met with Roosevelt and the two men agreed to cooperate.

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[65] An Amendment by Thomas of Oklahoma to H. R. 3835, 73rd Cong., 1st Sess., April 17, 1933, p. 1844.

[66] Elmer Thomas, "40 Years a Legislator," July 8, 1954. An unrevised and uncorrected copy of a manuscript, University of Oklahoma, Norman, Oklahoma.

[67] Moley, After Seven Years, p. 157. See also David Webb, "The Thomas Amendment: A Rural Response to the Great Depression," in Donald E. Green, (Ed.), Rural Oklahoma (Oklahoma City: Oklahoma Historical Society, 1977), pp. 101-112.

[68] First person accounts of the Thomas Amendment negotiations are Moley, First New Deal, pp. 300-305; James F. Byrnes, All in One Lifetime (New York: Harper, 1958), p.77; Herbert Feis, 1933 Characters in Crisis (Boston: Little Brown and Co., 1966), pp. 124-131; Warburg, Money Muddle, pp. 95-106.

Roosevelt, Thomas remembered, especially liked the idea that inflation would result in higher prices and that the Amendment freed the President on monetary matters from further Congressional interference. Thomas also impressed upon the President that armed with the powers of the amendment, Roosevelt could gain the initiative at the upcoming London World Economic Conference.[69]

That evening at a meeting called to discuss the pending visit of Ramsay MacDonald, British Prime Minister, Roosevelt announced to his advisors that he intended to accept the Thomas Amendment. Moley observed that when those in the room heard the news, "All hell broke loose." The decision led to Budget Director Lew Douglas' classic doomsday prediction, "Well, this is the end of Western Civilization."[70]

While Roosevelt's capitulation to Senate inflationists provoked immediate controversy, many of his supporters pictured the President as only reluctantly accepting the Thomas Amendment in order to preclude more drastic Congressional action.[71] The weakness of the scenario is that Roosevelt accepted both the necessity for managed currency and

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[69]Thomas, "40 Years a Legislator," p. 230.

[70]Moley, After Seven Years, p. 157-159; Moley, First New Deal, p. 302; Feis, Characters in Crisis, p. 126 corrects Moley's account as to the excitement caused by the Roosevelt inflation decision.

[71]See Ernest K. Lindley, The Roosevelt Revolution (New York: The Viking Press, 1933), p. 117; Moley, After Seven Years, p. 157; The New York Times, a Roosevelt supporter explained "While in effect the President has surrendered to the insistency of the westerners and southerners . . . he had it on his own terms." See 20 April 1933. A balanced account is provided in Frank Freidel, FDR: Launching the New Deal (Boston: Little, Brown and Company, 1973), p. 321. See also Thomas H. Greer, What Roosevelt Thought: The Social and Political Ideas of Franklin D. Roosevelt (East Lansing, Mich.: Michigan State University Press, 1958), pp. 57-58.

monetary inflation well before his alleged surrender to Thomas. At his first press conference on March 8, Roosevelt in off the record remarks, informed reporters that "managed currency" must be "part of the permanent system so we don't run into this thing [severe deflation] again."[72] On April 5, just before the series of conferences with the Committee for the Nation and farm inflationists, Roosevelt wrote Colonel House in words reminiscent of Warren: "While things look superficially rosy, I realize well that thus far we have actually given more of deflation than of inflation. . . . It is simply inevitable that we must inflate and though my banker friends may be horrified, I still am seeking an inflation which will not wholly be based on additional government debts."[73] Two days later when a reporter asked about inflation, Roosevelt responded that he would not resort to "the printing presses," but he obviously thought monetary management necessary in order to speed recovery.[74]

In addition to accepting the necessity of currency adjustments, Roosevelt agreed that the general price level was much too low and an unfair burden to debtors.[75] On April 15, three days before the concession to Thomas, Roosevelt finished the process of going off the gold

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[72]March 8, 1933, Transcripts of the Press Conferences of President Franklin D. Roosevelt for the Years 1933-1945 (Hyde Park, New York: F. D. Roosevelt Library, 1956-1957), I, p. 13.

[73]Roosevelt to House, 5 April 1933, reprinted in Elliott Roosevelt (Ed.), F. D. R., His Personal Letters, 1928-1945 (New York: Duell, Sloan and Pearce, 1950), I, 342.

[74]Roosevelt Press Conferences, I, April 7, 1933, pp. 135-138.

[75]Roosevelt to Simpson, 6 April 1933, Simpson papers.

standard when he ordered the Secretary of Treasury to prohibit new exports of gold. At his April 19 press conference, Roosebelt explained the gold move: "The whole problem before us is to raise commodity prices. For the last year, the dollar has been shooting up and we decided to quit competition."[76] When asked what other reflationary steps the Administration contemplated, Roosevelt proved himself an empiricist and a sports fan. The President, he explained, is like a quarterback on a football team who cannot tell what play will be called until the current play has run its course. "If the play makes ten yards, the succeeding play will be different from what it would have been if they had been thrown for a loss." He intended to score a "touchdown" on commodity prices and his game plan included "a definitely controlled inflation."[77] Two days later Roosevelt included the Thomas Amendment as a "very, very essential" member of his team, but in a mood to keep opponents guessing, cautioned reporters that as to the new inflation powers, "I do not have to use any of them."[78]

Roosevelt explained his program to the nation on May 7. In his second major radio address since the inauguration the President acknowledged that when he took office, "the country was dying by inches," due to extreme deflation. He stated that even before coming President he had concluded that the deflationary spiral must end. As for monetary policy, "The Administration has the definite objective of raising

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[76]Roosevelt Press Conferences, I, April 19, 1933, p. 152.

[77]_Ibid._, p. 156-157.

[78]_Ibid._, pp. 167-170.

commodity prices to such an extent that those who have borrowed money will on the average, be able to repay that money in the same kind of dollar which they borrowed."[79] No doctrinaire honest moneyite could have more clearly stated the Fisher-Commons-Warren thesis. The next morning Morgenthau observed that Roosevelt seemed pleased with his speech, interested in a two-page Warren memorandum, and remarked, "As soon as I get the authority from Congress to regulate gold, I can use it when and if necessary."[80]

The revised Thomas Amendment granted the President regulatory authority over gold and wide latitude in other areas of monetary policy. The Amendment stated that whenever the President desired currency expansion he first must authorize the open market committee of the Federal Reserve to purchase up to three billion dollars of federal obligations with Federal Reserve notes. Should open market operations prove insufficient the President held several options: He might have the Treasury issue up to three billion in greenbacks, reduce the gold content of the dollar as much as 50 per cent, or accept in payment of debts owed the United States one billion dollars in silver at a price not to exceed 50 cents per ounce. Silver received in payment would serve as a base for the issue of silver certificates.[81]

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[79]"The Second Fireside Chat," is reprinted in Samuel I. Rosenman (Comp.), The Public Papers and Addresses of Franklin D. Roosevelt: With A Special Introduction and Explanatory Notes by President Roosevelt (New York: Random House, 1938), II, pp. 160-168.

[80]Morgenthau, "Farm Credit Diary," May 8, 1933.

[81]U. S., Congressional Record, 73rd Cong., 1st Sess., April 20, 1933, pp. 2004-2005; Ibid., April 22, 1933, pp. 2170-2171.

Senator Thomas opened debate on his amendment a few minutes past noon on April 24. The tall, white haired, deliberate speaker consumed the next three hours on what he considered "the most important proposition (save the world war) that has evern come before any parliamentary body of any nation of the world." He promised that adoption of the proposition would transfer 200 billion from one class to another. He explained that he had reference to the value that had accrued to creditors because of the rising value of the dollar.[82]

The Thomas Amendment passed the Senate on April 28, but the 64 to 21 vote emerged only after silverites secured Administration approval of two amendments to the inflation measure. Silver interests successfully included among the President's discretionary powers the right to remonetize silver at whatever ratio to gold he chose, and they raised from one to two billion the amount of silver acceptable in payment of the war debts. Attached to the Agricultural Adjustment Act as Title III, the omnibus inflation package received the signature of the President on May 12.[83]

The Administration's new monetary program received both approving and ambivalent responses from rural spokesmen. Pacific Rural Press welcomed the contemplated inflation but warned its readers to "pray that President Roosevelt have gimp enough and common sense enough to

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[82]U. S., Congressional Record, 73rd Cong., 1st Sess., April 24, 1933, p. 2217.

[83]Ibid., pp. 2410, 2250, the vote is pp. 2551-52; New York Times, 8 May 1933.

throw us in reverse in time to prevent disaster."[84] The big three agricultural organizations proudly claimed sponsorship of the bill and praised the Administration for accepting the measure. Yet the Grange and the Farm Bureau believed the Thomas Amendment incomplete and urged Roosevelt to incorporate the Goldsborough compensated dollar scheme into the proposal.[85] Fred Sexauer probably summarized the attitudes of most rural inflationists when he wrote on the day the Thomas Amendment received Senate approval, that the program would be "entirely satisfactory" if it would but include "the policy of obtaining and maintaining the 1926 price level."[86]

The Committee for the Nation's fifth step, the commodity dollar, remained an elusive goal throughout the spring of 1933. On May 1, farm inflationists made a last effort to have stable dollar legislation incorporated into the farm bill. O'Neal and the Committee for the Nation attempted to insert the compensated dollar scheme into the farm bill as it lay in Conference Committee. Though Congressman Goldsborough served on the committee, the move failed.[87] By May 20, Goldsborough

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[84]Pacific Rural Press, CXXV (April 29, 1933), p. 6; Simpson's claim of responsibility for the Amendment is in "Radio Address by John A. Simpson," May 27, 1933, Simpson papers. See also "The Record of Achievement," Official News Letter (May 29, 1933), p. 3.

[85]A. S. Goss, Chairman, Executive Committee, National Grange and O'Neal to President, 26 April 1933, Secretary of Agriculture, "Currency," Record Group 16, National Archives, Washington, D. C. See also "Radio Address by John A. Simpson," May 27, 1933, Simpson papers, and "The Record of Achievement," Official News Letter (May 29, 1933), p. 3.

[86]Sexauer to Moser, 28 April 1933, DLP. See also Governor Miriam A. Ferguson (Texas) to Roosevelt, 29 May 1933, Roosevelt Library.

[87]Rumely to Sexauer, 1 May 1933, DLP.

proclaimed the effort to secure honest dollar legislation futile. "Right at this time, with the President's tremendous popularity, nothing can be done without his cooperation."[88] Efforts to complete the fifth step would await a new Congress.

During May, June and July, inflationists centered their attention on the London Economic Conference which met from June 12 to July 27. Aside from silver interests who held hopes for an international agreement restoring the price of their metal, inflationists feared the gathering at London more than they welcomed it. They worried that Britain, France and the gold bloc countries might conspire with the "die-hard deflationists" within the Federal Reserve and the State Department to stabilize the dollar at an artificially high level. Exchange rate stabilization unfavorable to the dollar might nullify much of the inflation potential of the Thomas Amendment. Warren warned on May 10 that America must avoid foreign agreements that prevented sufficient gold devaluation or those that might forbid periodic changes in the price of gold necessary to implement the compensated dollar.[89] In late May, Louis J. Taber, concerned with the Administration's timorous use of the Thomas Amendment, wrote Rumely of "our supposed inflation victory" and expressed hope that it was not "turning out to be a flop."[90]

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[88]Quoted in Rumely to Directing Committee, 20 May 1933, DLP. See also O'Neal Outlines 'New Deal' Progress in NBC Speech," _Official News Letter_ (May 16, 1933), p. 3.

[89]Warren Memorandum, 10 May 1933, DLP.

[90]Taber to Rumely, 22 May 1933, DLP.

The Committee asked Roosevelt to appoint Warren and Virgil Jordan, President of the National Industrial Conference Board, delegates to the London Conference.[91] They viewed as unfortunate the choice of Cordell Hull Secretary of State, as head of the American delegation. Rumely complained that the Secretary's "thinking stopped with 1812 and that unless one can enter his mind by the route of quoting Thomas Jefferson, it is difficult to get any new conception across."[92] Overcoming disappointment regarding the selection of the American delegation, Rumely placed a complete file of Committee literature with each of the 25 delegates as they boarded ship for London. Included in the Committee parcel were two of Warren and Pearson's books: Prices and Prices and Production. Appropriately each book had the delegates name lettered in gold![93]

Committee literature prior to the London Economic Conference explained that inflation and recovery could best be achieved through a nationalistic monetary policy. "The United States," read one Committee statement, "should not allow itself to get into a position where its domestic price level is fixed or influenced by decisions arrived at in international conferences."[94] Committee pamphlets argued that each country ought to be free to establish the domestic price level suited

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[91]Committee to Roosevelt, 22 May 1933, DLP; Howe to Taber, 18 May 1933, Taber papers.

[92]Rumely to Directing Committee, 1 June 1933, DLP.

[93]Ibid., 26 May 1933.

[94]Committee to National Advisory and Auxiliary Committees, 17 May 1933, Rumely papers.

to its needs. If each nation adopted the commodity dollar, both domestic price levels and foreign exchange rates would stabilize. Parroting Warren, the Committee stated that regardless of others the United States must be free to alter the price of its gold to assure stable price levels.[95]

During May and June, the Committee continued its dialogue with the President. Wallace, Morgenthau and Howe delivered and recommended Committee letters and studies to the President and Warren, at the Secretary's request, spent May 24 in conversations with Woodin.[96]

By Mid-June, the Committee developed and urged upon Roosevelt a new three-point inflation program. The Committee asked Roosevelt to create a free gold market in the United States. By granting Americans the right to trade in gold the Committee hoped to remove London's dominant influence on the world price of the metal. Furthermore, the Committee believed that competition between the American and British markets might result in higher gold prices. Rand wrote Roosevelt, "We predict that any rise in the New York price of gold would be followed by a rise in London and by a rise in the world level of general commodity prices."[97] The last two steps in the new program asked that the United States reprice gold from \$20.67 to \$36.17 per ounce, equivalent

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[95]Ibid., and Rumely to Direct Committee, 12 May 1933, DLP.

[96]Wallace to the President, 22 May 1933, and Wood to President, 17 June 1933, and Wood to Wallace with attached note, "Thanks for letting me see this. FDR," nd, Secretary of Agriculture, "Currency," Record Group 16, National Archives, Washington, D. C.; Howe to Rumely, 27 May 1933, OF 229, Roosevelt Library; Warren Diary, 24 March 1933.

[97]Rand to President, 18 May 1933, Secretary of Agriculture, "Currency," Record Group 16, National Archives, Washington, D. C.

to a 42.8 per cent cut in the gold content of the dollar and enact the Goldsborough stabilization bill to ensure future stability.[98]

Alerted that "forces struggling for deflation" were seeking a currency stabilization agreement at London, the Committee for the Nation and its agricultural allies engaged in a comprehensive propaganda effort during the last ten days of June. A $5,000 donation from automotive executive E. L. Cord financed the new effort. By Rumely's count, the Committee sent its anti-London propaganda to the nation's 1440 daily newspapers, all financial editors, 200 directors of Federal Reserve Banks, 300 Washington correspondents, 800 farm and magazine editors, 960 exporters, 1100 Committee members and to Congress and significant Administration officials.[99] The Committee also asked its membership to write Roosevelt protesting any London stabilization agreement and urging instead its new three-step inflation program.

On June 30, the Committee and Farm Bureau President O'Neal sent separate telegrams to a vacationing Roosevelt at Campobello. The monetarists warned against European interference in American monetary affairs and urged the President "for the sake of the farmers" to immediately adopt a domestic reflation-stabilization program.[100]

The afternoon of June 30, Roosevelt informed reporters with some vehemence that he believed currency stabilization ill advised at

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[98]Committee for the Nation to Roosevelt, 13 June 1933, Thomas papers.

[99]Rumely to Directing Committee, 22 June 1933, DLP. See also Shipp to Rumely, 19 May 1933, and Committee to Sexauer, 19 May 1933, DLP.

[100]Committee to Roosevelt, 30 June 1933; Rumely to Rand, 30 June 1933, DLP, and O'Neal to Roosevelt, 30 June 1933, OF 5707, Roosevelt Library.

the present time.[101] That evening Morgenthau reviewed the Warren gold theory with the President. Later that night the President wrote the American delegation at London that attempts at stabilization "at this time" were "particularly unwise."[102] Two days later on July 2, Roosevelt, still unhappy with events in London, composed his "bombshell" message aboard the cruiser Indianapolis. In the new message Roosevelt declared he would consider it a "catastrophe" should the London conference "allow itself to be diverted by the proposal of a purely artificial and temporary experiment affecting the monetary exchange of a few nations only." The President, in words suggestively similar to those of the Committee for the Nation, asserted: "The sound internal economic system of a nation is a greater factor in its well being than the price of its currency in changing terms of the currencies of other nations." Roosevelt then reiterated the honest dollar position. He sought a dollar "which a generation hence will have the same purchasing and debt paying power as the dollar we hope to attain in the near future."[103]

The President's words effectively orphaned the conference which adjourned after a face saving delay on July 27. Roosebelt's rebuke to London amounted to a monetary declaration of independence and freed him

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[101]Freidel, Launching the New Deal, pp. 479-81.

[102]Edgar B. Nixon, ed., Franklin D. Roosevelt and Foreign Affairs (Cambridge: The Belknap Press of Harvard University Press, 1969), I, pp. 264-66.

[103]Ibid., pp. 268-70. See Poe's reaction to the "bombshell" in The Progressive Farmer, XVIII (August 1933), p. 22.

to pursue a nationalistic policy. A week after the "bombshell" message Roosevelt asked Morgenthau to bring Warren to Washington for discussions.[104] During a July 10 session with the President, Wallace in Warren's presence reported that Tugwell and the Cornell professor differed on monetary policy. "Well," Roosevelt retorted, "you see I have come much closer to Warren than to Tugwell." The President then turned to Warren and confided, "Well, I have gone a lot further than you thought I would in March."[105]

Since the onset of the New Deal, Warren could have cataloged three major reflation victories. The administration had taken the country off gold, accepted the Thomas Amendment, and had frustrated the internationalists at London. Yet during the summer of 1933 commodity prices fell to distressing lows. The new slump illustrated the inverse relationship between inflation sentiment and the price level. By late summer an inflationist chorus demanded that Roosevelt use the monetary freedoms preserved at London to implement the powers of the Thomas Amendment to achieve a true inflationary policy. The ancient interrogative, the money question, would remain a fundamental issue in New Deal politics.

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[104] Morgenthau, "Farm Credit Diary," July 3, 1933.

[105] Warren Diary, July 10, 1933.

CHAPTER IX

INFLATION MIRAGE: FARMERS AND NEW DEAL MONETARY POLICY, JULY 1933 TO JUNE 1934

The New Deal's resolve to raise prices from the disaster levels of 1932 appeared self-fulfilling as stock and commodity markets rallied into the third week of July 1933. Between March 4 and July 19, wheat prices advanced 84 per cent, cotton 71 per cent, and corn rose from 38.5 to 82.5 cents a bushel.[1] Other farm commodities joined the improving price picture if in less spectacular fashion.[2] The outlook allowed seats on the Commodity Exchange to command a 50 per cent higher price than they had a few weeks earlier, and on April 19 the _New York Times_ hinted that soaring domestic prices might impel dealers to import wheat![3] The newspaper's suggestion proved premature for on July 19, 20, and 21 commodity prices fell precipitously. Wheat declined 34 cents a bushel, cotton dropped three cents a pound, and stocks in general lost about half of the accumulated gain since the inauguration of the New Deal.[4] The midsummer plunge dampened commodity prices well into winter. Confronted with lower prices for farm commodities and faced with higher

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[1] _New York Times_, 18 and 19 July 1933.

[2] U. S. Department of Agriculture, _Yearbook of Agriculture_, 1934 (Washington, D. C., 1935), p. 707.

[3] _New York Times_, 19 July 1933.

[4] _Ibid._, 23 July 1933.

prices for non-farm goods, attributable partly to the success of the NRA, farmers between July and October suffered a 14 per cent loss of purchasing power.[5]

The July commodity smash led to vigorous rural demands that Roosevelt exercise the inflationary provisions of the Thomas Amendment. The farm campaign for a cheaper dollar began with the July commodity avalanche still underway. On July 20, the Senate's leading cotton spokesman, John H. Bankhead of Alabama, telegraphed Roosevelt urging immediate gold devaluation.[6] During the following three months the administration received inflationary advice from farm state politicians, many of whom held important posts in the Democratic congressional leadership.[7] Experiencing some disillusionment with the AAA, farm organizations renewed their demands for inflationary action. During October farm organizations from the 400 delegates of the Kansas Live Stock Association to the 400,000 member National Cooperative Milk

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[5]See Van L. Perkins, "The AAA and the Politics of Agriculture: Agricultural Policy Formation in the Fall of 1933," Agricultural History, XXXIX (October 1965), p. 221. See also F. A. Pearson, W. I. Rogers and A. R. Gans, "Warren as Presidential Advisor," Farm Economics, CCII (December 1957), pp. 5636-37.

[6]Bankhead to FDR, 20 July 1933, PPF 1362.

[7]Examples of congressional inflation demands are: Rep. Clarence Cannon of Missouri to FDR, 23 August 1933, Thomas papers; Rep. W. L. Fiesinger, Ohio, to FDR, 30 August 1933; and Rep. Donald C. Dobbins of Illinois to FDR, 14 September 1933 and Rep. Joseph W. Byrns, majority leader to FDR, 14 September 1933, in OF 229, FDR Library; Senator George Norris to FDR, 18 October 1933, Norris papers, Manuscript Division, Library of Congress, Washington, D. C.; House Speaker Henry T. Rainey favored devaluation. See I.A.A. Record, XI (September 1933), p. 9. See also the remarks of Senator Pat Harrison, Chairman of the Senate Finance Committee in Official News Letter, XAI (September 19, 1933), pp. 1, 2.

Producers Federation resolved in favor of immediate inflation and the money question again rivaled discussions of the weather as a favorite pastime of rural Americans.[8]

The July mini-crash produced strong inflationist agitation throughout the South. On September 12, angered at declining cotton prices, 2000 farmers gathered at Columbia, South Carolina, petitioned Roosevelt to inflate the currency immediately and establish the minimum price of cotton at 15 cents a pound.[9] The Columbia rally sparked imitative meetings in Alabama, Arkansas, Georgia, Louisiana, Missouri, Mississippi, Oklahoma and Texas and numerous telegrams from southern congressmen demanding inflation.[10] On September 18, more than 200 delegates representing cotton state governors stormed Washington in an unsuccessful attempt to confer with the President.[11] South Carolina

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[8]See The Producer, XV (October 1933), p. 9; Sexauer to FDR, 4 October 1933 and Rumely to Directing Committee, 17 October 1933, Dairymen's League Papers, Cornell University (hereafter cited as DLP); "Resolution Inviting Cooperation of Business Leaders with Agriculture," by National Cooperative Milk Producers Federation, October 1933, Rumely papers, Indiana University (hereafter cited as Rumely papers).

[9]From its mid-July high of 12 cents a pound, cotton dropped to an average of 9.24 cents in August, 9.19 in September and 9.16 in October, Yearbook of Agriculture, 1934, p. 466; Governor I. C. Blackwood to Wallace, 13 September 1933, Secretary of Agriculture, "Currency," Record Group 16, National Archives.

[10]See Smith to President, 18 September 1933; Rep. Sam Rayburn of Texas to FDR, 14 September 1933, Senator Hugo Black of Alabama to FDR, 14 September 1933; Senator Tom Connally to FDR, 17 September 1933; Rep. John E. Rankin of Mississippi to Morris Sheppard, 13 September 1933, Senator Kenneth McKellar of Tennessee to FDR, 15 September 1933, and Rep. O. H. Cross of Texas to FDR, 23 September 1933, all in OF 229, FDR Library, Hyde Park, New York.

Senator "Cotton Ed" Smith, Chairman of the Senate Committee on Agriculture and Forestry, and Oklahoma Senator Elmer Thomas headed a committee of the cotton group which left a pro-inflation manifesto at the White House. The resolution praised the greenback program of the 1860s and urged that the government ease the present crisis through a fresh issue of paper currency. One cotton spokesman threatened that unless the administration agreed to undertake inflation, "farmers are going to change the government."[12] September's cotton rebellion was but one of a series of incidents that reflected the rising temper of the agricultural regions.

Falling commodity prices also prompted John A. Simpson and the Farmers' Union to reenter the fray on behalf of inflation. In August Simpson urged his "brothers" to write Roosevelt of rural conditions and plead for inflation.[13] Simpson telegraphed the President that unless the government remonetized silver and rapidly expanded the currency, "There will be more farmers objects of charity this winter than ever before. . . ."[14] By his count, Simpson held 92 meetings with farm groups during the summer and early fall of 1933, often speaking to

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[11] Prairie Farmer, CV (September 30, 1933), p. 4; New York Times, 18 September 1933.

[12] Smith, et al. to Roosevelt, 19 September 1933, FDR Library; New York Times, 19 September 1933; Forrest Davis, "33 Cotton Revolt for Inflation Bared Rural Temper," New York World Telegram, February 1934; "Only Inflation Can Help Cotton Prices," Progressive Farmer, XVIIIL (October 1933), p. 3.

[13] Simpson to Dear Brothers, 17 August 1933, Simpson to Schmahl, 30 September 1933, and Simpson to Mrs. Florence Preston, 29 September 1933, John A. Simpson papers, University of Oklahoma (hereafter cited Simpson papers).

[14] Simpson to FDR, 16 August 1933, Simpson papers.

crowds of over 10,000 on the theme, "There is no medium of exchange with which the people can do business."[15] In addition, the farm leader remained in contact with a number of inflationist organizations including the Liberty Party whose 1932 presidential candidate, William H. "Coin" Harvey, hosted Simpson at his Monte Ne, Arkansas home during the last week of September.[16]

On October 7, a delegation of Farmers' Union and Farm Holiday leaders met with Roosevelt and asked for a moratorium on mortgage foreclosures, inflation of the currency and a guaranteed cost of production scheme for farm commodities. National Farmers' Union Secretary Edward E. Kennedy reported, "The President did not commit himself on the subject of inflation of the currency, but he seemed impressed by our presentation."[17]

Agriculture's campaign for inflation during the fall of 1933 sprang not only from the midsummer commodity slump but from the increasing cost of doing business. Farmers complained they suffered a cost price squeeze and bitterly criticized the NRA as adding to their overhead. The rift between farmers and the NRA led many to boycott stores displaying the blue-eagle and revitalized interest in inflation as a

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[15]Simpson to FDR, 14 September 1933, Ibid.

[16]Simpson also corresponded with the National Monetary Reform Association of Spokane, Washington and the National Remonetization League of Denver, Colorado. The latter group was affiliated with Senator Burton K. Wheeler. See also Rep. Walter M. Pierce of Oregon to Simpson, 26 September 1933; and Senator Gerald P. Nye of North Dakota to Simpson, 25 September 1933, the Simpson papers.

[17]E. E. Kennedy, *et al*. to FDR, Secretary of Agriculture, "Cost of Production," Record Group 16, National Archives; *Oklahoma Union Farmer*, XIV (October 15, 1933), p. 1.

remedy that promised to diminish the price disparity of farm to non-farm goods.[18]

In early September, Secretary of Agriculture Henry A. Wallace warned Roosevelt, "the NRA will soon make it necessary either to adopt price fixing in agriculture or else start inflation in the very near future." Improved prices because of the allotment program could not be expected until after mid-January. Until then, "I am expecting the situation to become exceedingly tense."[19] The Wallace prediction proved accurate. In October, Senator Elmer Thomas threatened to lead 1,000,000 destitute farmers in an honest dollar march on Washington and newspapers reported incidents of farmers forcibly halting foreclosure proceedings. On October 16, Governor William Langer proclaimed an embargo on North Dakota wheat until prices improved and six days later the Farm Holiday Association began a strike that threatened to spread throughout the corn belt.[20]

The American Farm Bureau Federation, a principal supporter of the allotment scheme, reemphasized the need for immediate inflation. On September 9, its President Edward A. O'Neal featured the "cost-price squeeze" argument for inflation in a nationwide radio address. The farm leader credited "practically all" of the economic improvement

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[18]Frederick E. Murphy to Wallace, 11 October 1933, OF 1, FDR Library; Perkins, "The AAA and the Politics of Agriculture," Agricultural History, p. 222; Theodore Saloutos and John D. Hicks, Twentieth Century Populism: Agricultural Discontent in the Middle West, 1900-1939 (Lincoln: University of Nebraska Press, 1951), pp. 480-482.

[19]Wallace to FDR, 11 September 1933, OF 1, FDR Library; see also New York Times, 10 September 1933.

[20]Saloutos and Hicks, Twentieth Century Populism, pp. 482-84.

since March to the New Deal's inflationary monetary program.[21] Before his radio appearance O'Neal visited Roosevelt to urge the immediate use of the Thomas Amendment powers to revalue the dollar.[22] During the last week of September he returned to the White House with a delegation of Grange and cooperative representatives and agricultural editors Clarence Poe and Dan Wallace. The group informed Roosevelt that organized agriculture found it increasingly difficult to support the AAA and the NRA programs. They complained that while the NRA helped labor, the AAA had as yet done little for farmers. The spokesmen reminded Roosevelt that inflation and the commodity dollar offered the farmer his only hope for immediate economic improvement and urged the President to quickly enact the monetary program of organized agriculture.[23]

Rising demands for inflation placed Secretary of Agriculture Henry A. Wallace in an uncomfortable position. A conspicuous veteran of the honest money campaign of the 1920's, he had converted to the efficacy of agricultural production controls during June of 1932, due to the arguments of Rex Tugwell. The Secretary recalled, "It was thus that I became heterodox so far as Warren was concerned. I still

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[21]"The Need for Action," radio address by O'Neal, 9 September 1933, 5 pages, Thomas papers; "A.F.B.F. President Urges Immediate Inflation," Official News Letter, XII (September 19, 1933), pp. 1, 5.

[22]O'Neal to FDR, 12 September 1933, OF 1350, FDR Library; O'Neal to Rumely, 15 September 1933, DLP.

[23]"Agriculture Calls on President to Speed Relief," Official News Letter, XII (October 3, 1933), pp. 1, 3, Rumely to Direction Committee, 27 September 1933, DLP; and "Farm Leaders Warn of Impending Revolt in Plea to President," The Journal of Commerce (New York), 26 September 1933, p. 1.

thought the price of gold should be raised but I did not look on that as a magic cure-all."[24] Wallace acknowledged in early April that his advisors divided between Tugwell's production planning and Warren's monetary planning approaches.[25] The Secretary informed Roosevelt that both views had merit and that unless one were teamed with the other neither might succeed.[26]

As a New Deal administrator Wallace continued an interest in monetary and banking issues developed during his days in farm journalism. Prior to the inauguration he canvassed his future colleagues as to their views regarding gold devaluation. Reactions to his honest money ideas varied. He discovered Roosevelt "sympathetic and open minded," but Secretary of the Treasury William Woodin only "polite," and Secretary of State Cordell Hull "cold and distant." But Attorney General Homer Cummings, an old Bryan man, and Secretary of Commerce Daniel Roper, expressed open sympathy for the monetary reform cause.[27]

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[24]Wallace to Dear Frank (Pearson), 11 April 1957, F. A. Pearson papers, Cornell University. A good account of Wallace's monetary views on the eve of his joining the New Deal is William G. Shepherd, "Why the Farmer Doesn't Like Our Dollar: Interview with Henry A. Wallace," Colliers, XIC (April 1, 1933), pp. 8, 9, 48, 49.

[25]The differences between Tugwell and Warren were almost, if not quite irreconcilable. Tugwell believed in the Fisher commodity dollar but thought that the crisis of the 1930's presented an inopportune time "to make such a drastic change." See Tugwell, The Brains Trust (New York: The Viking Press, 1968), p. 98. As for Warren he characterized the NRA and the AAA as "about 10% useful, 15% political expediency, 25% hot air, and 50% measures that will result in violent reaction. . . ." See Warren to Morgenthau, 16 October 1933, Warren papers.

[26]Wallace to FDR, 6 April 1933, Secretary of Agriculture, "Farm Relief, 1933," Record Group 16, National Archives.

[27]Wallace's recollections about his role in the formation of New Deal monetary policy are contained in Wallace to Dear Frank

The agricultural secretary also scrutinized the personnel and policies of the Federal Reserve System. Generally Wallace believed that the Reserve had made inefficient use of the open market committee. Its decentralized organization and its myopic concern for banker's profits prevented the system from exerting positive monetary leadership.[28]

During the first few months of the New Deal Wallace recalled, "I was as strong as Warren for increasing the price of gold."[29] He shared Committee for the Nation materials with the President and in July recommended a study to Roosevelt which dated recovery from the gold embargo of April 19. The work of Carl Snyder, Statistician of the New York Federal Reserve Bank, the study proved to Wallace's satisfaction a causal relationship between the depreciating dollar and the revival of trade.[30]

(Pearson), 11 April 1957, 2 pages and Wallace to F. A. Pearson, 4 January 1958, 22 pages, F. A. Pearson papers, Cornell University. The latter is an extemporanious and angry reply to the critical interpretation of Wallace found in F. A. Pearson, W. I. Myers and A. R. Gans, "Warren as Presidential Adviser," Farm Economics, No. 211 (December 1957), pp. 5598-5676. Wallace's more composed response to the Farm Economics article was published in Henry A. Wallace, "Further Facts on Raising the Price of Gold," Journal of Farm Economics, XL (August 1958), pp. 709-18.

[28]Wallace's monetary and banking opinions may be traced in the following: Wallace to FDR, 31 March 1933, Secretary of Agriculture, "Banks," Record Group 16, National Archives; Wallace to FDR, 6 April 1933, OF 1, FDR Library; Wallace to FDR, 19 April 1933, OF 90, FDR Library; Wallace to FDR, 20 May 1933, Secretary of Agriculture, "Currency," Record Group 16, National Archives; Wallace to Howe, 22 July 1933, OF 1, FDR Library; Wallace to FDR, 26 July 1933, Secretary of Agriculture, "Currency," Record Group 16, National Archives.

[29]Wallace, "Further Facts on Raising the Price of Gold," Journal of Farm Economics, p. 715.

[30]Wallace to FDR, 26 July 1933, OF 1, FDR Library. Attached to the foregoing was Snyder, "The Recovery of Trade and the Depreciation of the Dollar," 11 July 1933, 6 pages.

Following the July slump in commodity prices, Wallace changed emphasis. The secretary feared that an overemphasis on the inflation remedy would prove detrimental to the total New Deal agricultural program.[31] The secretary believed that sudden commodity price increases might retard the department's campaign to get farmers to sign acreage reduction contracts.[32] In late August, Wallace asked Roosevelt's permission "to make a little statement on what inflation will and will not do for agriculture." Upon receiving approval, Wallace released his views to the press.[33] The secretary credited inflation with easing the debtors burden, creating short-term advantages for American exports, and increasing the purchasing power of consumers. But the statement clearly expressed Wallace's "heterodox" view that both monetary and non-monetary ingredients must play a role in agricultural recovery. Wallace noted that inflation offered only temporary advantages. Foreign nations tended to adjust currencies so that benefits achieved through devaluation soon evaporated. Inflation also failed to adjust supply and demand in the domestic market; alone, it could not save agriculture.[34]

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[31]Wallace to FDR, 21 August 1933 and Wallace to FDR, 7 September 1933, OF 1, FDR Library.

[32]See Morgenthau, Farm Credit Diary, 1 October 1933; Warren Diary, 5 October 1933, and New York Times, 25 September 1933.

[33]Wallace to FDR, 29 August 1933. FDR's wire read "Private, entirely approve your suggested statement." FDR to Wallace, 30 August 1933, Secretary of Agriculture, "Inflation," Record Group 16, National Archives.

[34]"Inflation and Agriculture," by Wallace, OF 1, FDR Library; "Wallace Discusses Inflation," Wallaces' Farmer, LVIII (September 16, 1933), p. 412.

The Wallace statement led to charges that the Secretary had abandoned his commitment to inflation and the honest dollar. Surprised, Iowa Senator R. Louis Murphy telegraphed his friend, "I would suggest it to my brother you need a vacation."[35] Less charitably, the Iowa Farmers' Union demanded Wallace's resignation.[36] Many inflationists viewed the Wallace statement as betrayal and never quite forgave him for his seeming tepid support. Rumely of the Committee for the Nation summarized, "Whenever Secretary Wallace speaks on money, it is the voice of Jacob and the hand of Esau."[37]

During September and October, Wallace patiently explained that his interest in honest money remained undiminished.[38] On September 20, before the Grain Dealers Association in Chicago, the Secretary reiterated a belief in controlled inflation and stabilization of the purchasing power at 1926 levels.[39] While in Chicago he assured Robert E. Wood, President of Sears Roebuck and Company, that he had not

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[35]Richard Louis Murphy to Wallace, 1 September 1933. See also Wallace to Murphy, 2 September 1933, Secretary of Agriculture, "Inflation," Record Group 16, National Archives.

[36]Oklahoma Union Farmer, XVIII (October 1, 1933), p. 3.

[37]Memorandum by Rumely, 15 December 1933, DLP; Professor F. A. Pearson was quite critical of Wallace during an interview with the author. See also Pearson, Myers and Gans, "Warren as Presidential Adviser," Farm Economics, p. 5635.

[38]See for example, Wallace to Justice Richard F. Mitchell, 18 September 1933 and Paul Appleby to Bertram Holst, 23 September 1933, Secretary of Agriculture, "Inflation," Record Group 16, National Archives; Wallace to Sexauer, 29 September 1933, Secretary of Agriculture, "Currency," Record Group 16, National Archives.

[39]A copy of the Wallace Chicago speech of September 20, 1933 is in the DLP; New York Times, 21 September 1933.

altered his monetary views.[40] In late September, after discussing the problem during a party at Secretary Woodin's home, Wallace summarized the monetary issue for Roosevelt:

> First, there are millions of people who are worried sick for fear there will be no inflation.
>
> Second, there is a smaller, but wealthier, group which is thoroughly scared for fear there will be uncontrolled inflation.
>
> Third, there is a rather large group of earnest students who are afraid that there will be premature stabilization.

Wallace recommended that the President publicly reaffirm the New Deal's commitment to an "honest, just price level." Such a statement would reassure both inflationists and anti-inflationists, stabilize markets and speed business recovery.[41]

Before relations soured between Wallace and inflationists, the agricultural secretary brought professors George F. Warren and James Harvey Rogers to Washington for consultations with the President.[42] Wallace believed that Roosevelt's "bombshell" message to London cleared the way for the administration to seriously research a gold repricing program. Rogers, a Yale University economist, had written an exposé of the classical gold standard and, as a former student of Irving Fisher,

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[40] Wood to Rumely, 22 September 1933, DLP.

[41] Wallace to FDR, 29 September 1933, Secretary of Agriculture, "Inflation," Record Group 16, National Archives, Washington, D. C.

[42] Both Warren and Wallace agree that Wallace initiated the July conferences. See Warren Diary, July 10, 1933, and Wallace to Pearson, 4 January 1958, F. A. Pearson papers.

shared much of the Warren viewpoint.[43] On July 10 the two professors, Secretaries Wallace and Roper and the President conferred on the monetary situation. Wallace recalled, "What we actually went in to talk to the President about was adopting a precise program for gradually determining the value of gold."[44] The President assigned "the gold dust twins," as the press dubbed the economists, Room 7512 in Roper's Commerce building where it was hoped they might work in obscurity.[45]

During the month following the July 10 conference, Warren and Rogers met with Roosevelt and other New Deal advisors, prepared memoranda and researched at least ten procedures to cheapen the dollar.[46] At Hyde Park on August 8, Warren summarized the research for Roosevelt: The Government must boost commodity prices through a 35 to 45 per cent drop in the price of the gold dollar and must establish a permanent gold stabilization program.[47] Still uncertain as to Roosevelt's actions, Warren, on August 9, cruised for Europe. The vacation-bound Cornell professor breezily wrote Rogers, "I leave the world in your care--also the GT."[48]

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[43]Microfilm of the Rogers-Warren correspondence was researched at Cornell University. The James H. Rogers papers are at Yale University.

[44]Wallace to Pearson, 4 January 1958, F. A. Pearson papers.

[45]The Sun (New York), 11 July 1933, and Washington Evening Star, 11 July 1933, and the Warren Diary, 10, 11, 12 July 1933.

[46]The month's activities may be traced in the Warren Diary and in the letters and memorandums in the Warren papers, Cornell University.

[47]Warren Diary, 8 August 1933, and a memo by Warren, "Reflation Necessary," 8 August 1933, to which is attached, "Left with FDR on August 8, also prices of gold, 4 charts." Warren papers.

[48]Warren to Rogers, 8 August 1933, Rogers-Warren Correspondence, Yale University.

The next two months proved less carefree than Warren wished. He spent part of the vacation gathering European opinion regarding America's slide from the gold standard. He reported that Europeans still on gold would abandon that standard soon in an effort to lift prices. He quipped, there would be "a rise in prices or a rise in dictators."[49] Returning to the United States, Warren lunched with Roosevelt on September 20. The President expressed interest in Warren's European observations and confided that though Secretary Woodin objected he had developed three plans to cheapen the dollar: buy silver, issue greenbacks, or buy gold.[50] For almost a month after the luncheon visit with Roosevelt, Warren commuted between Ithaca and Washington, increasingly frustrated at the administration's monetary inaction. "Things do not look good to me," he wrote Morgenthau on September 29 and warned, "the longer the delay, the more the dollar must be cut."[51] On October 16, a concerned Warren again appealed for action and notified Roosevelt.[52] Two days later Roosevelt invited him to the most exciting weekend in Warren's life.[53] The professor's theories were about to emerge from chrysalis to currency. Roosevelt would buy gold.

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[49]Warren to Roper, 14 September 1933, and Warren to FDR, 18 August 1933, Warren papers.

[50]Warren Diary, 20 September 1933.

[51]Warren to Morgenthau, 29 September 1933, Warren papers, and Warren Diary, 5 October 1933.

[52]Warren to FDR, 16 October 1933. See also Warren to Morgenthau, 16 October 1933, Warren papers.

[53]FDR to Warren, 18 October 1933, Warren papers.

The Roosevelt decision to adopt the Warren program climaxed months of speculation as to the additional monetary steps the New Deal might take. Henry Wallace recalled Roosevelt "had to move a step at a time and it was obvious he wanted to keep the boys guessing."[54] During the summer, whenever reporters asked when the New Deal might implement provisions of the Thomas Amendment, Roosevelt's favorite reply was, "When, as and if" which he explained meant "when, as and if action is taken there will be an announcement to that effect."[55] The President also remained evasive regarding the work of professors Warren and Rogers, responding less than candidly to one reporter's query about the pair, "I haven't heard a word."[56] Yet Roosevelt frequently discussed with the press his hopes to raise and stabilize both the dollar and commodity prices. And he confidentially informed at least one pro-inflationist publisher that he "need not worry about our going back to the gold standard for a long, long time."[57]

Undoubtedly the combination of falling commodity prices and rising farm unrest influenced Roosevelt's decision to buy gold in October 1933. James P. Warburg, the bright and youthful scion of a powerful Wall Street banking family and rival claimant to Warren as a New Deal monetary advisor, recalled that the desire to lift farm prices

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[54]Wallace, "Further Facts on Raising the Price of Gold," Journal of Farm Economics, p. 712.

[55]The Press Conferences of Franklin D. Roosevelt, 12 May 1933, p. 251 and 16 May 1933, p. 278.

[56]Ibid., 26 July 1933, p. 90.

[57]Ibid., 14 July 1933, pp. 157-160; 25 August 1933, pp. 209-212; Roosevelt to J. David Stern, 22 August 1933, OF 229, FDR Library.

determined New Deal monetary action "far more than purely monetary consideration."[58] Warburg believed Roosevelt's decision to act upon the Warren theory resulted not so much from conviction as from the politically expedient desire to prevent "marching farmers."[59] The New York banker recalled that he made his last plea against the Warren plan on September 20. He urged an orderly rebuilding process rather than the uncertainty of further dollar depreciation. "The President listened patiently to what I had to say," Warburg wrote, "but when I was all through he smiled and told me that all that was very pretty, but meantime how were we going to keep prices advancing? How were we going to relieve the debt burden? What were we going to do about the farmers?"[60] On October 19, Roosevelt confided to Secretary of Interior Harold Ickes "that there was an agrarian revolt on in the country and this was our chief concern just now." The President informed Ickes of the pending gold purchase program and afterward the Secretary recorded, "it seems clear to me that if this fails there will be frank inflation."[61]

Warren and Morgenthau anxiously arrived three minutes early for their 9 o'clock appointment with the President on Friday, October 20. Warren noted that "Roosevelt was having breakfast in bed; traces on

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[58]James P. Warburg, _The Money Muddle_ (New York: Alfred A. Knopf, 1934), p. 141.

[59]_Ibid_., p. 133.

[60]_Ibid_., p. 147.

[61]Harold L. Ickes, _The Secret Diary of Harold L. Ickes: The First Thousand Days, 1933-1936_ (New York: Simon and Schuster, 1953), p. 110. See also Herbert Feis, _1933: Characters in Crisis_ (Boston: Little, Brown and Company, 1966), pp. 284-285.

the table. His health and cheer were good." After perusing yet another Warren memorandum, the President dictated a statement explaining the administration's new gold policy. Morgenthau urged that the gold program be announced over national radio and when presidential secretary Stephen Early assured Roosevelt that "the President of the United States can have the air at any time," arrangements were made for the fourth "fireside chat."[62]

The President explained the new monetary program over network radio, Sunday evening, October 22. The speech reviewed the principal New Deal accomplishments to date: four million new jobs and a 33 per cent increase in the price of basic farm commodities. Still Roosevelt acknowledged that agricultural prices remained distressingly low. The President reiterated his wish to reflate the dollar and stabilize its "purchasing and debt-paying power during the succeeding generation." To recover commodity prices, America must insulate the value of the dollar from foreign influences and "take firmly in its own hands" control over its gold value. Roosevelt announced that the Reconstruction Finance Corporation would buy newly mined domestic and occasionally world gold, not at the old standard of $20.67 an ounce, but at prices determined after consultation between the President and the Secretary of the Treasury. Warren's simple equation that higher priced gold meant higher priced commodities offered the unstated rationale for the new program. Roosevelt did inform listeners that the gold buying policy was but another step toward "managed currency" and that

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[62]Warren Diary, 20 October 1933.

undoubtedly "prophets of evil" would criticize it. The President concluded that the new monetary policy would allow the maintenance of government credit, preserve sound currency and restore commodity prices to prosperous levels.[63]

Even after Roosevelt's October 20 decision to adopt the Warren plan, members of the administration opposed to gold repricing voiced pained outcry at the proposal. The "Antis," as Warren and Pearson labeled their opposition, included nearly everyone connected with the Treasury, the State Department and the Federal Reserve. Dean Acheson, the Undersecretary of the Treasury, described as "nearly hysterical," felt so deeply on the subject he later resigned. From his sick bed Secretary Woodin called Roosevelt and asked, "Why do you do this illegal thing?" Meanwhile a group of "Antis" in the Treasury Department frantically attempted to produce an alternative policy. After a week of haggling Roosevelt, whose "prophets of evil" seemed embarrassingly applicable to many within his own administration, had had enough. On October 29, the President summoned Treasury and Federal Reserve officials to the White House for an afternoon briefing. The President was angry at contentious subordinates and feared a serious farm uprising unless some inflationary step was undertaken. Warren recorded:

> President stated that the country was in agrarian revolution; that Iowa was out of the hands of the reserves; that we are all in one boat; that the administration has adopted the policy of raising the price of gold; that if we do not like the boat, leave it; if we stay, follow the skipper; that if we must growl, do it in the closet. "There has been too much growling in public. It has to stop."

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[63] Samuel I. Rosenman (comp.), The Public Papers and Addresses of Franklin D. Roosevelt (New York: Random House, 1938), II, pp. 420-429.

Roosevelt then explained the rationale for the gold policy. The nation must choose between deflation or reflation. Politically, deflation was suicidal. "We may lose bonds and live. We cannot lose . . . homes and farms and live." The entire issue centered not on exchange ratios or gold reserves but on the "human impossibility of deflation." The President hoped the gold program would avert an agrarian revolution, but warned, "if it does not work we will try something else."[64]

Roosevelt's gold experiment began on October 25, 1933. Warren recorded that he, Morgenthau and Jesse Jones, head of the RFC, gathered about Roosevelt's bedside as the President ate breakfast. The discussion quickly centered on the gold purchase program. Roosevelt suggested that the RFC set its price 25 cents above the day's world market price, Morgenthau proposed 26 cents and Warren, in order to prevent the new price from ending in 5, held out for 27 cents. In good spirits everyone agreed with the Warren figure and the RFC bought gold during the day for $31.36.[65] The breakfast-gold pricing sessions were repeated almost daily for the next month and then less frequently until the program ended in January.[66] As a result the price of gold rose steadily from October 25, peaking on November 15 at $34.91 before softening to $31.77 on December 13. The following month the price

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[64]Warren Diary, 29 October 1933. Compare John M. Blum, _From the Morgenthau Diaries: Years of Crisis, 1928-1938_ (Boston: Houghton Mifflin Company, 1959), p. 72; Arthur M. Schlesinger, Jr., _The Age of Roosevelt: The Coming of the New Deal_ (Boston: Houghton Mifflin Company, 1959), p. 242.

[65]Warren Diary, 25 October 1933; the pre-March price was $20.67.

[66]Warren Diary, 26, 27, 28, 29, 30 October 1933.

again climbed, reaching $32.99 on January 15, when the gold activities of the RFC were transferred to the Treasury. Finally Roosevelt stabilized the price of gold at $35 an ounce under provisions of the Gold Standard Act, January 30, 1934.[67]

Farm groups associated with Professor Warren viewed Roosevelt's new gold program with immense gratification. Fred Sexauer praised the new policy as "the greatest voluntary step toward the economic rehabilitation of this country that has been taken during the past century."[68] Charles White, President of the New York Farm Bureau, expressed the self-congratulatory mood of many when he proclaimed the new policy "the child of agriculture."[69] During the three month life of the gold purchase program, agricultural organizations endorsed and defended the President's monetary experiment and the farm press enlightened its readership with such supportive articles as "Ghost Stories in the Graveyard: Golden Calf Boys are Scaring Themselves to Death."[70]

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[67]Details of the gold purchase program are examined in Arthur Whipple Crawford, _Monetary Management Under the New Deal: The Evolution of a Managed Currency System--Its Problems and Results_ (Washington, D.C.: American Council on Public Affairs, 1940), pp. 70-75, 336-340; James Daniel Paris, _Monetary Policies of the United States, 1932-1938_ (New York: Columbia University Press, 1938), pp. 21-29. See also F. A. Pearson, W. I. Myers, and A. R. Gans, "Warren as Presidential Adviser," _Farm Economics_, CCXI (December 1957), pp. 5638-5657.

[68]Sexauer to Morgenthau, 25 October 1933, DLP. Morgenthau read Sexauer's letter to FDR while the latter shaved.

[69]Charles R. White, "Agriculture and the Gold Standard," _New York State Farm Bureau Federation News_ (December 1933), p. 10.

[70]_Prairie Farmer_, CV (December 9, 1933), p. 1. See also "Backs Wallace's Honest Dollar," _Wallaces' Farmer_, LVIII (October 29, 1933), p. 1; "Parade of the Week," _Prairie Farmer_, CV (October 28, 1933), p. 4; _Successful Farming_, XXXI (December 1933), p. 10; "Roosevelt Okays A.F.B.F. Honest Money Plan," _Official News Letter_, No. 22 (November 1933), p. 1; _Minutes of the Eighteenth Annual Meeting of the New York_

Regardless of such endorsements, the New Deal's gold machinations failed to satisfy rural inflationists. Many thought that gold devaluation would not restore price levels and must be coupled with new issues of paper and silver currency.[71] Sensing a "tendency toward radicalism" among farm groups, Edward A. Rumely wrote Warren the day the gold purchase program began that the ability of "responsible and conservative groups" to maintain the allegiance of farmers depended upon the experiment achieving success "within the next 45 days."[72]

The gold program did not fail for want of a cheerleader. Edward A. Rumely and the Committee for the Nation viewed Roosevelt's adoption of the Warren plan as a great victory and resourcefully gathered support for the program. During the first week of the gold experiment about 700 Committee members wired approval to Roosevelt.[73] During the course of the experiment the Committee blitzed the administration, Congress, the press and agricultural organizations with

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State Farm Bureau Federation, Syracuse, New York, November 9, 10, 1933; Howard E. Babcock, "Kernels, Screenings and Chaff," American Agriculturalist, CXXX (November 11, 1933), p. 22; Capper's Weekly, LVIII (November 11, 1933), p. 2; "Leagued Against the Farmer," Wallaces' Farmer, LVIII (November 11, 1933), p. 548; and "Line Up Behind the President," Ibid., (November 25, 1933), p. 588; "Taking Another Plank From the Populist Platform," Progressive Farmer, XVIIIL (December 1933), p. 3.

[71]See Norris to J. W. Jones, 23 October 1933, Norris papers, Library of Congress; Sixty-seventh Annual Session of the Patrons of Husbandry, Boise, Idaho, November 15-24, 1933, pp. 16-17; Official Minutes of the 29th Annual Convention of the Farmers Educational and Co-Operative Union of America, Omaha, Nebraska, November 21-22, 1933, pp. 33-34; "Senator Norris, Bryan and Others Plead for Treasury Note Money," Oklahoma Union Farmer, XIV (November 1, 1933), p. 1; New York Times, October 25, 1933.

[72]Rumely to Warren, 25 October 1933, DLP.

[73]Rumely to Directing Committee, 27 October 1933, DLP.

mailings that sometimes included 20,000 addressees. The mailings were reinforced with a vigorous radio effort that resulted in the broadcast of more than 1,000 15-minute electrical transcriptions.[74] Cognizant of the Committee's work, Roosevelt wrote Rand on November 21, "I am glad that you are at work on national broadcasts to counteract the somewhat unpatriotic propaganda we are facing."[75]

Ever sensitive to the activities of the "antis," the Committee attempted to counter every conservative complaint with propaganda of its own. The Committee's campaign benefited from the disarray of the sound moneyites and from the unwillingness of the scandal-marred banking fraternity to engage in new confrontations.[76] Two weeks after the inauguration of gold purchases, Rumely scornfully reported "the other side" was limited to "talking Grover Cleveland and German inflation, with no fresh data applicable to the present crisis."[77] When the New York Chamber of Commerce adopted an "anti" resolution, the Committee mailed its own viewpoint to every Chamber in the nation. Meanwhile, the Committee forced the "antis" to withdraw a similar resolution from the

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[74]The work of the Committee may be followed in Rumely to Directing Committee, 30 October 1933, 31 October 1933, 1 November 1933, 2 November 1933, 4 November 1933, 13 November 1933, 14 November 1933, 17 November 1933, 23 November 1933, 28 November 1933, 4 December 1933, 7 December 1933, 29 December 1933; and Earl Harding to Directing Committee, 3 November 1933, DLP.

[75]Roosevelt to Rand, 21 November 1933, OF 229, FDR Library.

[76]A droll if interpretive review of the gold experiment from the viewpoint of Wall Street is John Brooks, "Annals of Finance: Gold Standard on the Booze," _The New Yorker_, XVL (September 13, 1969), pp. 107-126.

[77]Rumely to Directing Committee, 6 November 1933, DLP.

agenda of a meeting of the New York Board of Trade and even its critics acknowledged the Committee's power to influence public opinion.[78]

The most publicized confrontation between the Committee and its opponents occurred on the night of November 27 in New York City. Encouraged at Alfred E. Smith's attack on the New Deal's "baloney dollar" a group of "antis" calling themselves The Crusaders hired Carnegie Hall for a mass meeting to protest the administration's monetary policy.[79] Sound moneyite speakers appeared before a crowd of 2,000, seven hundred of whom were Remington-Rand employees sent to cheer every mention of Roosevelt's name! A few blocks away the Committee for the Nation arranged for Father Charles E. Coughlin and Senator Elmer Thomas to appear before a successful pro-inflation rally at the Hippodrome.[80] One reporter referred to the rival meetings as the "Waterloo" of the money war and the press generally interpreted the outcome as a victory

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[78]Rumely to Directing Committee, 13 November and 17 November 1933, DLP; and James McMullan, "News Behind the News: the National Whirligig, Herald-Tribune (New York), 22 December 1933. See also Rand to FDR, 11 November 1933, and Resolutions of a conference "representing the Committee for the Nation, the Monetary Reform League, Farm Organizations, and Members of Congress," Washington, D. C., 17 November 1933, OF 229, FDR Library.

[79]Smith's "baloney" remarks were contained in a letter to the Chamber of Commerce of the State of New York, 24 November 1933, and is reprinted in New Outlook, CLXII (December 1933), pp. 9-11. See also Oscar Handlin, Al Smith and His America (Boston: Little Brown and Co., 1958), p. 175. A letter from The Crusaders, Inc. to Rumely, 7 June 1934, lists the "beliefs" of the organization, DLP.

[80]J. H. Rand, Jr., to FDR, 27 November 1933, DLP. Another first person account of the proceedings is Rumely to Colonel Louis McHenry Howe, 28 November 1933, DLP; a friendly answer is Howe to Rumely, 11 December 1933, DLP. See also Forrest Davis, "Inside Story of Fight for Reflation Shows Four Led the Attack," World Telegram (New York), 23 February 1934, p. 1, and Charles J. Tull, Father Coughlin and the New Deal (Syracuse: Syracuse University Press, 1965), pp. 42-49.

for Roosevelt and an embarrassment to the forces of Al Smith and sound money.[81]

The Committee for the Nation believed that the rout of the hard money crowd in New York City provided Roosevelt the opportunity to solidify reflation gains. Heeding Warren's advice, the Committee urged the President to devalue the dollar a full 50 per cent to $41.34, a cut thought sufficient to restore prices to their 1926 averages. While business, industry and finance might survive a lesser devaluation, stabilization at any figure less than $41.34 would "freeze agriculture into a monetary straight jacket." Adeptly mustering its publicity resources during December and January, the Committee worked closely with inflation Senators Borah and Thomas to push Roosevelt toward the "50 cent" dollar.[82] But another turn in New Deal monetary policy thwarted the new year inflation drive.[83] The 1933 battle for inflation led to a truce that granted reflationists but partial victory.

Roosevelt viewed the Warren program as a contingency that might lift prices and as an expedient that retained for the administration the initiative in the battle over monetary policy. Roosevelt frankly

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[81] New York Times, 28 November 1933; James McMullan, "News Behind the News: the National Whirligig," Herald-Tribune (New York), 5 December 1933. See also Senator Elmer Thomas to Coughlin, 5 December 1933, Thomas papers, University of Oklahoma.

[82] Committee activities may be followed in Rumely to Directing Committee, 4 December 1933; 7 December 1933; 15 December 1933; 29 December 1933; and Rumely to Wood and Rosenwald, 8 December 1933; Wood to Rand, 1 December 1933; Committee for the Nation to Administration Advisers, Members of Senate and House, 29 December 1933; all in DLP; and Rand to Warren, 12 December 1933, GFW papers.

[83] Rumely to F. A. Vanderlip, 12 January 1934. See also Rumely to J. D. Miller, 25 January 1934, DLP.

acknowledged that numerous imponderables surrounded the Warren theory. Two days after implementing gold purchases Roosevelt wrote his banker-uncle Frederick A. Delano, "The gold purchase method seemed to me the only really sound experiment to try, even though it still is an experiment."[84] Three weeks later at Savannah, Georgia, the President defended the empirical nature of the New Deal and labeled critics of such experimentation "modern Tories," who like the Loyalists of the 1770s opposed reform.[85] The century-old Jackson-Biddle feud furnished Roosevelt an even more apt historical parallel. He wrote Colonel Edward House on November 21, "The real truth is . . . that a financial element in the larger centers has owned the Government ever since the days of Andrew Jackson--and I am not wholly excepting the Administration of W. W. The country is going through a repetition of Jackson's fight with the Bank of the United States--only on a far bigger and broader basis."[86] Beyond its price tinkering potential the Warren program meshed with the overall Jackson-Roosevelt goal of transferring the direction of monetary policy from Wall Street to Pennsylvania Avenue.[87] Attempts to tame the money power were, after all, commonplace in the history of American progressivism.

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[84] FDR to Frederick A. Delano, Deputy Chairman of the Federal Reserve Bank of Richmond, 27 October 1933, OF 327, FDR Library.

[85] Samuel I. Rosenman, (comp.), _The Public Papers and Addresses of Franklin D. Roosevelt_, II, p. 490.

[86] FDR to House, 21 November 1933, PPF 222, Roosevelt Library. See also O'Neal to FDR, 25 November 1933, Roosevelt Library.

[87] See Elmus Wicker, "Roosevelt's 1933 Monetary Experiment," _The Journal of American History_, LVII (March 1971), pp. 864-879; Schlesinger, _The Coming of the New Deal_, pp. 247-248.

Through the end of November Roosevelt professed satisfaction with the results of the gold program.[88] During December it became apparent that the relationship between the price of gold and other commodities was more obtuse than Warren imagined. Wholesale commodity prices declined during the latter half of November and into the new year.[89] Under pressure from leaders of the Federal Reserve and the business community, the President had Warren and James H. Rogers review the gold program and prepare data for a more permanent revaluation of the dollar.[90] On January 15, Roosevelt asked Congress for new legislation contained in the hastily passed Gold Reserve Act of January 30, 1934. The new monetary legislation fixed the upper limit of dollar devaluation at 60 per cent of the old weight and transferred title of all Federal Reserve gold to the government. The act also established a fund out of the "profit" of any subsequent devaluation to be used to stabilize international exchange rates.[91]

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[88] The Press Conferences of Franklin D. Roosevelt, November 24, 1933, p. 495.

[89] Historians have tended to view Roosevelt's adoption of the Warren gold program with greater toleration than economists. Emphasizing the politically expedient nature of the experiment are John M. Blum, From the Morgenthau Diaries, pp. 74-76; and Schlesinger, The Coming of the New Deal, pp. 246-248. Economists who view gold buying with varying degrees of disdain are Crawford, Monetary Management Under the New Deal, pp. 70-75; Paris, Monetary Policies of the United States, pp. 21-29; C. O. Hardy, Is There Enough Gold? (Washington, D. C.: Brookings Institution, 1936), 212 pages. A review of the gold program and its effect on specific commodity prices is contained in Murray R. Benedict, Farm Policies of the United States, 1790-1950 (New York: The Twentieth Century Fund, 1953), pp. 295-299.

[90] Warren Diary, December 15, 19, 20, 29, 30, 1933, and January 2, 3, 4, 7, 11, 1934.

[91] Rosenman, The Public Papers and Addresses of Franklin D. Roosevelt, III, pp. 40-45. See H. R. 6976, 73rd Cong., 2d Session, January 23, 1934.

Roosevelt explained the new monetary strategy in a press conference on January 15. He reviewed the speculative rise in prices that greeted his first hundred days in office, the crash of mid-July and the subsequent decline in commodity prices. The President claimed that gold stabilization was "in prospect" from the outset of the Warren program. He credited the experiment with cheapening the dollar in international exchange rates and enhancing America's ability "to get rid of a great many of our export surpluses." He reminded reporters that Great Britain and France were as yet unwilling to fix exchange ratios and observed that "Great Britain has been pursuing what you call the Professor Warren theory for perhaps two years." But Roosevelt acknowledged that future devaluations associated with the new gold legislation would probably have "very little" effect on domestic prices.[92]

During the two weeks following Roosevelt's monetary message to Congress, Warren, Morgenthau, George L. Harrison, Governor of the Federal Reserve Bank of New York, and other New Deal advisers discussed the next steps in administration monetary strategy. Consensus emerged that revaluation ought to quickly follow passage of the new legislation pending in Congress, but controversy remained regarding the size of any cut in the gold dollar. On January 31, the day after passage of the Gold Reserve Act, the President convened a post-luncheon meeting of his staff to settle the matter. Ironically, the conservative Harrison advocated raising gold to $41.34 an ounce, the maximum allowed under law.

[92] The Press Conferences of Franklin D. Roosevelt, January 15, 1934, pp. 65-77.

The Reserve official hoped the move would give an aura of "finality" to gold buying. For their part, Warren and Morgenthau advised a lesser cut to give the President room for maneuver should future devaluations become necessary. Roosevelt accepted the Warren-Morgenthau position stating that "he did not want the appearance of finality." At 3:10 p.m., Roosevelt issued a proclamation fixing the weight of the gold dollar at 15-5/21 grains of gold, nine-tenths fine, or $35 per ounce.[93] Warren, Roosevelt and Morgenthau viewed the standard that would last for a generation as but a temporary expedient, to be adjusted according to the future dictates of international monetary politics.[94]

With the exception of the more ardent disciples of Warren, who feared that $35 gold would prove insufficient to support a return of 1926 prices, the majority of farm spokesmen seemed pleased with Roosevelt's January gold decisions.[95] Two days before the President's January 15 message to Congress, the National Agricultural Conference at Washington listed as the first of seven resolutions "Approval of the President's monetary policy." The conference composed of representatives from the major farm organizations urged the President to

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[93]Warren Diary, January 19, 20, 22, 23, 24, 25, 30, 31, 1934. For more on the role of Harrison see Friedman and Schwartz, _A Monetary History of the United States_, pp. 224-225, and Brooks, "Annals of Finance," pp. 107-126. Roosevelt discussed the rationale for the $35 figure in _The Press Conferences of Franklin D. Roosevelt_, January 31, 1934, p. 122.

[94]On February 2, Warren wrote Herman Oliphant that the Treasury should make it clear "that we will change the price within the legal limits whenever it is in our interest. I do not think that the $35 price has any material chance of being high enough." Warren papers, Cornell University.

[95]On January 25, Rumely estimated that it would take a gold price of $45 to restore 1926 prices. See Rumely to J. D. Miller, DLP.

continue working for a stabilized dollar."[96] Senator Elmer Thomas of Oklahoma endorsed the President's monetary message of January 15, interpreting the move as meaning "we will have many new dollars in circulation" and Farm Bureau President O'Neal wired Roosevelt regarding the Gold Reserve Act: "You have won another great victory for the folks."[97] The farm press also praised the nationalization of gold and interpreted the new devaluation as another victory in agriculture's drive for the honest dollar.[98]

Agricultural inflationists generally approved the President's treatment of gold, but disliked his failure to do something for silver. The autumn decline in farm prices and the announcement of the gold purchase plan in October rekindled an interest in silver that had lain dormant since the passage of the Thomas amendment in April. After the administration began the gold purchase program, Key Pittman, leader of the Senate silver bloc, reminded New Deal officials that silver

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[96]"Minutes of the National Agricultural Conference," Washington, D. C., January 12, 13, 1934, DLP; "The National Agricultural Conference," National Grange Monthly, XXXI (February 1934), p. 3; "National Farm Conference," Bureau Farmer (February 1934), p. 4.

[97]O'Neal to FDR, 29 January 1934, OF 1350, Roosevelt Library; "Statement by Elmer Thomas, United States Senator, Oklahoma," January 15, 1934, 3 pages, Thomas papers, University of Oklahoma.

[98]See "Roosevelt Moves to Raise Price Levels," Wallaces' Farmer, LIX (January 20, 1934), p. 20; "Our Monetary Policy," Prairie Farmer, CVI (January 20, 1934), p. 6; Arthur Capper, "What the Money Program Will Do," Capper's Weekly, LIX (February 3, 1934), p. 2; "Gold Valuation and Reflation Win," American Agriculturalist, CXXXI (February 3, 1934), p. 4; "'Honest Dollar' Speeds Prosperity: What President's New Money Policy Means," Prairie Farmer, CVI (February 3, 1934), p. 23; Successful Farming, XXXII (February 1934), p. 10.

awaited relief.[99] Pittman's many letters to Roosevelt memorializing silver were but a precursor to a larger campaign as dozens of congressmen endorsed similar legislation during November and December.[100] In mid-December, Henry T. Rainey, Speaker of the House, added his own remonetization proposal to the many already before Congress and on December 29, a third of the Senate signed a resolution favoring "the free and unlimited coinage of both gold and silver at a ratio to be established by law."[101]

On October 28, three days into the Warren gold purchase program, ten congressmen, mostly from farm districts and at the instigation of Martin Dies of Texas, jointly wired the President regarding monetary policy. The Dies telegram typified the fusion of silver and agricultural interests that underscored much of the campaign to rehabilitate silver. The memorial urged that foreign nations be allowed to buy American farm products with silver whose value would be artificially established three cents above its world price. The wire observed "The Government is now purchasing gold above the world market price. We urge the same thing be done for silver." To further their cause the congressmen listed three arguments frequently used to interest agrarian groups in the cause of the white metal. An adequate use of silver would expand the money supply and thus increase the purchasing power

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[99]Pittman to FDR, 15, 19, 23, 28 October 1933, Pittman papers, Library of Congress.

[100]Many such letters are contained in OF 229, Roosevelt Library.

[101]For Rainey's bimetallism proposal see The Washington Post, December 21, 1933. Details regarding the Senate resolution are contained in Elmer Thomas to W. S. Thomas, 29 December 1933, Thomas papers.

of farmers. The restoration of silver would stimulate the disposal of farm surpluses to silver nations like India and China who would be better able to afford our exports. And conversely, as American currency depreciated in relation to the silver backed currencies, the United States would cease becoming the dumping ground for cheap foreign imports.[102]

Among the big three farm organizations the Farmers Union had officially supported silver remonetization since 1931. Its President John A. Simpson crusaded for silver during the early thirties in the apocalyptic style familiar to old line Populists. During the November 1933 national convention at Omaha, Nebraska, Simpson castigated "the workers of iniquity," the bankers of England and America who perpetrated the "Crime of 1873" and the panics of 1920 and 1929. The convention enthusiastically endorsed the Wheeler remonetization bill after Simpson exhorted, "Your wheat surplus, your meat surplus, your cotton surplus, and much of the surplus of our factories will vanish" with passage of the silver bill.[103]

Monetary themes also loomed important at the 1933 conventions of the Grange and the Farm Bureau. The Patrons of Husbandry met in November at Boise, Idaho and after hearing Senator William Borah and

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[102]Martin Dies, _et al._, to FDR, 28 October 1933, GFW papers.

[103]See "Report of John A. Simpson, President, National Farmers' Union," November 21, 1933, 6 pages, Simpson papers, University of Oklahoma; _Official Minutes of the 29th Annual Convention of the Farmers Educational and Co-Operative Union of America_, Omaha, Nebraska, November 21, 22, 1933, pp. 33-34. The Wheeler bill referred to was S. 70, 73rd Cong., 2d Sess. The Union also endorsed a proposal of Elmer Thomas' for the issuance of "full legal-tender non-interest bearing currency."

National Master Louis J. Taber speak on the money question, the convention endorsed "the greater monetary use of silver" as a means of providing reflation and stabilization of prices.[104] Farm Bureau delegates convened at Chicago on December 13, commended Roosevelt "for his far-reaching and sound policies in regard to revaluation of the dollar" and urged the immediate adoption of the commodity dollar. The Bureau also wished "to call attention . . . to the desirability of remonetizing silver." In words similar to the Dies telegram, the Bureau's resolution claimed a bimetallic base would expand credit and currency at home and exports abroad.[105]

The National Agricultural Conference held in Washington, D.C., January 12, 13, 1934, also endorsed remonetization of silver. The conference not only approved the administration's gold policy but urged a "larger monetary use of silver, as in the judgment of the President will best carry out this policy." The signatory organizations to the Conference report included not only the Grange and the Farm Bureau but the National Cooperative Council, the Farmers National Grain Association and the American Agricultural Editors Association. By January, 1934, organized agriculture had reentered the silver controversy.[106]

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[104] Proceedings of the National Grange, 67th Annual Session, Boise, Idaho, November 15-24, 1933, pp. 17. The Grange convention also urged the issuance of not more than three billion dollars of non-interest bearing bonds to pay for public works. See Ibid., pp. 16-17, 159; National Grange Monthly, XXX (December 1933), p. 1.

[105] Minutes of the Fifteenth Annual Convention of the American Farm Bureau Federation, Chicago, Illinois, December 13, 1933; Bureau Farmer (January 1934), p. 7.

[106] "Minutes of the National Agricultural Conference," Washington, D. C., January 12, 13, 1934, DLP; Official News Letter (January 23, 1934), pp. 1, 2.

The inflation "brains trust," the Committee for the Nation, also recognized agriculture's fresh interest in silver. In mid-September, during a conversation with Committee chairman James H. Rand., Jr., Roosevelt asked the Committee to investigate "the problem of silver."[107] On October 4, the Committee submitted its "Report on Silver" to the President. The memorandum held that gold devaluation offered the "simplest and most effective" means for restoring prices. As for silver, "The preponderant opinion on the Committee is that it is technically superfluous for the purpose of reducing the abnormal purchasing power of the dollar." The report denounced bimetallism though it approved Treasury purchases of silver as encouraging American exports to the Orient. The Committee endorsed the proposal of Warren that the administration experiment with a symmetallic dollar representing a fixed ratio of gold and silver. The union of gold and silver in the dollar "might suggest recognition of the growing interdependence of the world economy that is in process of building."[108]

Never enthusiastic for silver, the resurfacing of the issue put the Committee in a quandary. It feared that emphasis on silver might divert support from Warren's gold program and the commodity dollar. At the same time the Committee recognized the necessity of obtaining silver bloc support for reform monetary legislation. Toward the end of October, Rumely, secretary to the Committee, cautioned against

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[107]See Rand to FDR, 1 September 1933, and FDR to "Mac" [Marvin McIntire], 11 September 1933, OF 229, Roosevelt Library.

[108]"Report on Silver," Committee for the Nation, 4 October 1933, 6 pages, DLP.

releasing the presidential "Report on Silver" to the public. "Nobody," Rumely predicted, "can foresee what combinations and blocs will have to be met with in legislative halls when the question of a commodity dollar comes up." Rumely contended the Committee ought to appease the "tightly organized" silver bloc if only silver advocates would keep the commodity dollar.[109]

Roosevelt also respected the power of the resurgent silver movement. On September 20, 1933, he asked Secretary Woodin to "give serious consideration to some method of raising the price of silver to sixty cents an ounce, and talk with me about it as soon as I get back."[110] The same day, Warren recorded that the President considered silver purchase a viable monetary option.[111] About a week after the beginning of Warren's gold program, Roosevelt expressed the hope that it would result in higher silver prices.[112] The next day he wrote Morgenthau, "The point that Key Pittman makes is that we should do something to purchase silver as well as gold, and the point is fairly well taken."[113] In November, Roosevelt sent Morgenthau, the newly appointed Acting Secretary of Treasury, a confidential file on the silver issue that

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[109]Rumely to Directing Committee, 28 October 1933, DLP.

[110]Roosevelt to Secretary of Treasury, 20 September 1933, OF 229, Roosevelt Library.

[111]Warren Diary, 20 September 1933.

[112]Ibid., 30 October 1933, see the chart entitled "Price of Gold and Silver," and a notation, "Went over this sheet with Roosevelt. He had asked question if gold goes to $41.34 does not silver go to 50¢."

[113]Memo from the President for Henry Morgenthau, Jr., 31 October 1933, OF 229, Roosevelt Library.

included material gathered from Pittman and a note that instructed, "It might be good ball for you to ask Pittman to lunch with you some day."[114] During the fall months of 1933, Roosevelt provided silver interests a sympathetic hearing. Still the question remained as to how far he would go to fulfill the 1932 Democratic National Platform which pledged "the rehabilitation of silver."

On December 21, 1933, Roosevelt acted to appease silver interests. He announced American acceptance of the Silver Agreement negotiated during the July London Economic Conference. Primarily the work of Utah Senator Key Pittman, who had served as a delegate to the conference, Roosevelt explained the London agreement looked "to the elimination of an unnatural oversupply of silver on the markets of the world." Specifically, the President ordered the Treasury to purchase and coin the total silver production of American mines for the subsequent four year period. A seigniorage charge of one-half the statutory price of $1.29 per ounce would be assessed making the effective price of silver sixty-four and one-half cents per ounce.[115] Though monetarily insignificant, the President's December silver proclamation

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[114]FDR to Acting Secretary of Treasury, 21 November 1933, Ibid.

[115]The Pittman agreements also limited the amount of silver the signatory powers could sell on the international market. See Pittman to Morgenthau, 11 December 1933, Pittman papers, Library of Congress. The President's proclamation and a note of explanation are contained in Rosenman, The Public Papers and Addresses of Franklin D. Roosevelt, II, pp. 534-539. See also The Press Conferences of Franklin D. Roosevelt, December 22, 1933, pp. 564-567.

provided the mining industry with a welcomed, if moderate, subsidy.[116]

The December 21 Presidential proclamation failed to satisfy bimetallists. The seigniorage charge rankled the free-silverites and the limited purchase program offended inflationists. Senator William Borah of Idaho, who favored both inflation and remonetization, informed constituents that the President's silver proclamation would not "in any way interfere with the real fight for the remonitization [sic] of silver."[117] Yet bimetallists recognized the crucial importance of Roosevelt's support. Early in the new year Elmer Thomas admitted: "If the President of the United States concludes to say silver shall be restored, it will be restored. If he opposes it, it will be practically impossible . . . to do anything for silver."[118]

Remonetizationists tested Roosevelt's attitude toward silver during the debates that preceded passage of the Gold Reserve Act. On January 26, Senator Wheeler, in conjunction with Senator William H. King of Utah, offered a silver rider to the President's gold bill. The Wheeler-King amendment required the Treasury to purchase at least 50 million ounces of silver per month until monetary reserves included an additional billion ounces or until 371 grains of silver equaled 23.22

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[116]The average price of silver during the 1920's was approximately fifty-nine cents per ounce. See Brennan, Silver and the First New Deal, p. 86. The proclamation resulted in but a one per cent increase in the nation's monetary stock. See Allen Seymour Everest, Morgenthau, the New Deal and Silver: A Story of Pressure Politics (New York: King's Crown Press, 1950), p. 31.

[117]Borah to L. F. Parsons and Charles P. Reiniger, 22 December 1933, and Borah to W. Mont Ferry, 30 December 1933, Borah papers, Library of Congress.

[118]Thomas to Edwin Frantz, 6 January 1934, Thomas papers.

grains of gold in terms of purchasing power.[119] Wheeler appealed for support, arguing that the proposal would "find markets for our surplus farm products, for our surplus cotton, our surplus wheat, and our surplus manufactured articles."[120]

Roosevelt strongly opposed the Wheeler rider because of its mandatory purchase feature.[121] He informed Joseph T. Robinson, Senate Majority Leader, "This is not the time to order the purchase of silver. Let us wait a little while to see how the Pittman agreement works out." He observed that the Thomas Amendment already granted the administration the authority to buy silver "from time to time at such prices that seem reasonable."[122]

The President's intervention defeated the Wheeler Amendment 43 to 45.[123] Senator Borah reported that at least three Senators favorable to the bill bowed to administration pressure.[124] Among those voting for it were 14 senators from the silver producing states, six Republicans who opposed the measure but hoped to embarrass Roosevelt,

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[119]U. S., Congressional Record, 73rd Congress, 2d Sess., January 26, 1934, pp. 1415-1416.

[120]Wheeler's two-day defense of the amendment contained a strong appeal to agricultural interests. See Ibid., January 27, 1934, pp. 1445-1462.

[121]See Robinson's remarks to the Senate, Ibid., p. 1463.

[122]"Private and Confidential Memorandum from FDR to Senator Robinson," 25 January 1934, OF 229, Roosevelt Library.

[123]U. S., Congressional Record, 73rd Congress, 2d Sess., January 27, 1934, pp. 1464-1465.

[124]Borah to John H. Wourms, 29 January 1934, Borah papers, Library of Congress.

and 25 Senators with important agricultural constituencies.[125] Four days after the vote, Borah predicted that the silver issue would resurface before the current session of Congress adjourned. He added, "I do not think the administration can defeat it again."[126]

The defeat of the Wheeler amendment, as Borah expected, stimulated silverites to greater agitation. The spring of 1934 seemed a silver replica of 1896 and farmers as they had in the Populist era significantly contributed to the demands for bimetallism. In February, Rumely, whose Committee for the Nation had been reluctant to push silver, wrote his Directing Committee that organized agriculture favored remonetization. He added that silver purchase "seems to be presenting itself more directly than at anytime in the past."[127] Within weeks the Committee sponsored silver purchase dinners for Congressmen and farm lobbyists in Washington.[128] The silver bloc also proved sensitive to the importance of farm support for the white metal. Representative James G. Scrugham of Nevada, leader of a hundred pro-silver congressmen, worked to overcome the notion that silver legislation would benefit only the eleven mining states.[129]

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[125]The six Republicans are listed in Brennan, Silver and the First New Deal, p. 113.

[126]Borah to James F. McCarthy, 31 January 1934, Borah papers.

[127]Rumely to Directing Committee, 9 February 1934, DLP.

[128]Nearly 200 congressmen attended a Committee dinner on behalf of the Dies bill on April 23. See New York Times, 24 April 1933.

[129]Scrugham to E. H. Walker, 7 March 1934. Scrugham worked with Father Charles Coughlin and the Committee for the Nation in seeking silver legislation. See "Memorandum" by W. C. L. to Pittman, 21 March 1934, Pittman papers, Library of Congress.

Of the more than forty silver proposals before Congress, the Dies bill, which fused the interests of agriculture and silver, served as the catalyst for additional New Deal silver legislation. Within a week of the Wheeler vote, Representative Martin L. Dies of Texas introduced a new silver-agricultural relief bill.[130] The bill proposed to create an Agricultural Surplus and Exchange Board comprised of the President and the Secretaries of Commerce, Interior, Agriculture and Treasury. The Board would sell American agricultural exports to foreign buyers in exchange for silver accepted at a valuation of up to 125 per cent of the world market price. After completing the sale the Board would deposit the silver with the Secretary of Treasury who would issue silver certificates against the metal. In turn, the Board would use silver certificates to reimburse American farmers for the commodities sold abroad. Dies' proposal offered farmers advantages in both overseas and domestic markets. Advocates reasoned that the exchange of commodities for depreciated silver provided American farm products a competitive advantage in international markets while the issuance of silver certificates to the farmer provided agriculture a full domestic price. Agriculturalists believed the bill would reduce surpluses, increase currency supplies and have an ameliorative effect on commodity prices.[131]

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[130] U. S., Congressional Record, 73rd Congress, 2d Sess., February 2, 1934, p. 1895; New York Times, 4 February 1934.

[131] See H. R. 7581, 73rd Congress, 2d Sess. Dies explained the major features of his bill in U. S., Congressional Record, 73rd Cong., 2d Sess., March 19, 1934, pp. 4845-4849.

The measure drew strong support from agricultural interests. John A. Simpson endorsed it, commenting on its silver certificate features: "That puts out some real money."[132] During committee hearings on the bill Warren, J. H. Rand, Jr., and Simpson testified for the bill and agricultural representatives dominated the House debates on the measure.[133] Representative Jed Johnson of Oklahoma expressed a common notion when he exclaimed, "I am firmly convinced that the silver bill is real farm relief; it is mortgage relief, it is tax relief."[134] Even after the administration through Morgenthau opposed the bill, the Dies proposal impressively passed the House on March 19, 258 to 112.[135] The ayes included Speaker Rainey, 20 Republicans, all five Farmer-Labor members and the bulk of the Democrats.[136]

Inflationist leader Elmer Thomas sponsored the Dies proposal in the Senate. Thomas had the bill assigned to the Agricultural and Forestry Committee where a subcommittee that included Thomas, Wheeler, Capper and Shipstead added the major ingredients of the Wheeler silver

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132 New York Times, 4 March 1934 and 4 February 1934.

133 Ibid., 11 March 1934 and 4 March 1934.

134 U. S., Congressional Record, 73rd Congress, 2d Sess., March 19, 1934, p. 4862. See also comments by Representative Somers of New York, Ibid., p. 4863 and by Dies, Ibid., p. 4846.

135 Ibid., p. 4863.

136 New York Times, 20 March 1934. Of the 38 Democrats who voted against the measure, 29 came from the Northeast or Virginia.

purchase proposal defeated in January to the Dies measure.[137] The new omnibus provided cohesion to the agricultural, silver and inflation blocs in the Senate. Pittman and Wallace both thought the bill would pass.[138]

Roosevelt hoped demands for silver legislation would diminish following the defeat of the Wheeler amendment in January.[139] In March, Secretary Morgenthau announced the government opposed further silver legislation. The Treasurer explained that the London Agreements provided silver interests with adequate protection and he expressed the opinion that Congress ought to avoid new monetary legislation in order to allow time to evaluate the experimental monetary policy already enacted.[140] Regardless of its attempts to discourage additional silver legislation, the New Deal maintained a continuing dialogue with silver interests and Morgenthau and his aids at the Treasury investigated a

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[137] U. S., Congressional Record, 73rd Cong., 2d Sess., March 20, 1934, p. 4878; U. S., Congress, Senate, Committee on Agriculture and Forestry, Report, Encourage Sale of American Agricultural Surplus Products Abroad; To Provide Payment Therefor in Silver, and to Provide for Purchase of Silver, Report No. 697, 73rd Cong., 2d Sess., April 10, 1934.

[138] Pittman held strong reservations regarding the Dies bill. Still he thought that without Presidential interference it would pass Congress. See Pittman to Mr. President, 25 April 1934, and Pittman to Morgenthau, 13 April 1934, Pittman papers, Library of Congress; Wallace to The President, 28 April 1934, Record Group 16, "Currency," Secretary of Agriculture, National Archives, Washington, D. C.

[139] Roosevelt as late as mid-April told a delegation of representatives, "I am absolutely opposed to any silver legislation at this session." See "The President's Conference with Members of the House of Representatives at 8:30 P.M., Sunday Evening, April 15, 1934," 419, Roosevelt Library.

[140] New York Times, 2 March and 16 March 1934; Blum, From the Morgenthau Diaries, pp. 185-6.

variety of issues associated with the monetary use of the white metal during the early spring of 1934.[141]

Roosevelt explained his attitude towards the Dies-Thomas bill and silver legislation in general in a conference with 16 Senators and the Vice President on the afternoon of April 14. Roosevelt especially expressed indignation at any mandatory purchase requirements in the silver bill and asserted, "Things are going damn well at this particular time--don't forget it." He also asked to be given a free hand to negotiate international agreements on silver purchase. "If we fail," he promised, "then maybe we will try to talk about our ability to do it all by ourselves. I am in favor of a bi-metallic base."[142]

By the end of April the major contention between Roosevelt and silverites centered on the issue of permissive versus mandatory legislation. In the words of Borah, permissive legislation meant that "we bury our legislative power in the bosom of the President, where it will rest for ever more."[143] Inflationists believed that the discretionary features of the Thomas amendment had allowed the administration to sidestep a more vigorous monetary program. They did not want to repeat the error.

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[141]See Warren Diary, February 21, April 11 and April 25, 1934; Oliphant to Pittman 27 February 1934, Pittman papers, Library of Congress; Morgenthau Diary, I, p. 48, Roosevelt Library.

[142]"The President's conference with the Senators Saturday afternoon, April 14, 1934," PSF, "Senate," FDR Library. Compare also, "The President's conference with the Members of the House of Representatives at 8:30 P.M., Sunday evening, April 15, 1934," FDR Library, 419; and The Press Conferences of Franklin D. Roooevelt, April 20, 1934, p.293-94.

[143]Borah to McCarthy, 20 April 1934, Borah papers, Library of Congress. Rumely reported that 17 Senators had indicated their opposition to permissive legislation, see Rumely to Directing Committee, April 23, 1934, DLP.

On April 27, the cabinet advised Roosevelt to compromise with the silver bloc. Morgenthau recorded that the cabinet "felt that for the President to veto another important measure would be most embarrassing for the congressmen at election time."[144] During the following three weeks Roosevelt, in a series of conferences, sought accommodation with the silver senators.[145] These efforts produced the agreement embodied in yet another Presidential silver message to Congress on May 22.

The May 22 message asked for authorization for the government to buy silver "with the ultimate objective" of accumulating silver reserves until they comprised one-fourth of the nation's monetary stock or until silver reached $1.29 per ounce. Silver was to be purchased at not more than 50 cents per ounce and a controversial tax of 50 per cent was to be imposed on profits accruing from silver transactions. The message also requested that the President be granted the permissive power to nationalize silver as had already been done with gold.[146]

The silver compromise failed to please agrarian inflationists. The compromise reflected Roosevelt's capitulation to those demanding silver subsidies, not those clamoring for an expanded currency.

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[144] Morgenthau Diary, I, p. 49, Roosevelt Library. Pittman gave Roosevelt much the same advice. See Pittman to FDR, 25 April 1934, Pittman papers, Library of Congress.

[145] These conferences are accounted for in Brennan, Silver and the First New Deal, pp. 122-130.

[146] Rosenman, (comp.), The Public Papers and Addresses of Franklin D. Roosevelt, pp. 253-255.

Like its December 21 precursor, the June silver purchase agreement contributed but a trifle to the future growth of the nation's monetary stock.[147] Elmer Thomas doubted that the bill would expand the Nation's currency "a single copper," and Huey Long characterized the measure as "an all day sucker; something to play with."[148] Nevertheless, Thomas, Long, Wheeler, Borah and other inflationists, resigned that the bill was the only one possible at the current session, joined the majority in passing the measure 55 to 25 on June 11.[149] Congressman Dies guided the bill through the House and the Silver Purchase Act received the President's signature on June 19.[150]

The Silver Purchase Act climaxed a year and a quarter of New Deal monetary management. Unhappily the restorative powers of Roosevelt's monetary program had proved disappointing. Reviewing the gold policy for reporters in April 1934, the President admitted that the Warren experiment had failed to restore prices "as much as we expected."[151] Statistics showed that though the gold content of the dollar had been reduced 41 per cent, the wholesale price index during the first

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[147] See Friedman and Schwartz, A Monetary History of the United States, pp. 488-89; Blum, From the Morgenthau Diaries, pp. 188-89; Schlesinger, The Coming of the New Deal, pp. 251-52.

[148] U. S., Congressional Record, 73rd Cong., 2d Sess., May 22, 1934, p. 9218. See also Thomas to Robinson, 2 June 1934, Thomas papers.

[149] U. S., Congressional Record, 73rd Cong., 2d Sess., June 11, 1934, p. 11060. Borah explains his vote in Borah to Fiesinger, 28 May 1934, Borah papers, Library of Congress.

[150] New York Times, 20 June 1934.

[151] The Press Conferences of Franklin D. Roosevelt, April 20, 1934, p. 293.

13 months of the New Deal climbed but 21.5 per cent.[152] The much touted 1926 level of prices would await recovery until 1942![153] Inflationists believed the sluggish price level proved that genuine currency expansion had yet to materialize. Within weeks of the Silver Purchase Act, farm organizations, inflationists, congressmen and the Committee for the Nation resumed demands for a cheaper dollar. They remained unconvinced that inflation was more mirage than miracle worker.

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[152]These statistics are taken from Everst, Morgenthau, the New Deal and Silver, p. 44. Influences such as drought, the AAA and international conditions also contributed to higher commodity prices in the thirties. See Frederick C. Mills, Prices in Recession and Recovery: A Survey of Recent Changes (New York: The National Bureau of Economic Research, Inc., 1936), pp. 268-84.

[153]U. S., Department of Labor, Bureau of Labor Statistics, Bulletin 1376, Wholesale Prices and Price Indexes, 1960 (Washington, D. C., 1963), p. 29.

CHAPTER X

INFLATIONISTS DEFLATED: FARMERS AND NEW DEAL MONETARY POLICY, 1934 AND 1935

The passage of the Silver Purchase Act in June 1934 proved a last hurrah for any realistic expectation that the New Deal might provide energetic and inflationary monetary leadership. During the following year the administration pursued other interests while administering a passive monetary policy that frustrated and disappointed those anticipating further inflationary action. The experience divided inflationists and separated the more embittered from the ranks of the New Deal.

Alienation between inflationists and the New Deal began as the administration suspended its most daring monetary experiment--the Warren gold purchase program. By December 1933, agricultural inflationists, silverites and the Committee for the Nation commonly expressed discouragement and doubt as to Roosevelt's next monetary move.[1] While many farm spokesmen seemed temporarily satisfied with the gold devaluation proclamation of January 31, 1934, plain-spoken John A. Simpson, President of the Farmers' Union, believed the cut in the gold dollar

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[1]The Rumely memos during December and January reflect disappointment at Roosevelt's commitment to inflation. Rumely quoted Senators Elmer Thomas and William Borah as sharing doubts about the future direction of American monetary policy. See Rumely to Directing Committee, 7 December 1933, DLP.

"of little value" and groused "the whole program here is worse than crazy."[2] Within three months the major farm organizations revived demands for still more inflation.[3]

The administration viewed inflationists with a new sense of impatience during the spring of 1934. On April 24, as sentiment for silver legislation neared majority status in Congress, Secretary of the Treasury Henry Morgenthau, Jr., with the blessing of Roosevelt, released the names of large holders of silver stocks. Administration leaders hoped the list of silver speculators might embarrass many who supported "doing something for silver." Morgenthau's list included Amy Collins, Father Coughlin's secretary, and the Committee for the Nation's Frank Vanderlip. Coughlin never forgave the administration for the "double-cross" and "Roosevelt and Ruin" replaced "Roosevelt or Ruin" in the priest's passionate rhetoric.[4] The silver list episode created hostility among silverites, but failed to lessen the demands which forced Roosevelt to acquiesce in the Silver Purchase Act of June 1934.

The Committee for the Nation, though never openly breaking with Roosevelt, also grew increasingly uncomfortable with the New Deal

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[2]Simpson to Rand, 31 January 1934, DLP; and Simpson to Roosevelt, 4 February 1934, Record Group 16, Secretary of Agriculture, "Farm Relief," National Archives. Simpson died in Washington, March 14, 1934.

[3]"Resolutions of the National Agricultural Conference," April 14, 1934, DLP.

[4]See Sheldon Marcus, Father Coughlin: The Tumultuous Life of the Priest of the Little Flower (Boston: Little, Brown, 1973), pp. 68-70; and Charles J. Tull, Father Coughlin and the New Deal (Syracuse: Syracuse University Press, 1965), pp. 55-56.

during 1934. The first strains on the relationship between the Committee and Roosevelt appeared during the gold-buying venture of late 1933. When it became clear that the gold program failed significantly to raise prices, the Committee refused to fault the Warren thesis, but rather blamed the disappointing results on the NRA, deflationists propaganda, and "feeble administration" of policy. Committee memoranda explained that the expected price increases failed to materialize because the NRA depressed business recovery "through regulation, domination, and red tape," while deflationists "frightened investors and others with stories of runaway inflation. The program also had fallen victim to its administrators--the personnel of the Treasury, Department of Agriculture and Federal Reserve who sabatoged the very policy they were supposed to execute.[5] Warren apologists charged the widening gap between London gold prices and RFC gold prices during December and January proved the timidity of the administration in raiding its own dollar abroad.[6] In late May, Warren confidentially appraised the gold experiment for Rumely: "Of course, no one expected that the gold value of the dollar could be fully controlled by using the small sums and the awkward procedures that were used last fall. There seemed to be no

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[5]Rumely to Directing Committee, 21 October and 30 October 1933, 1, 13, 17, 28 November 1933, 7, 12, 15 December 1933; and Committee for the Nation to Members of the National Advisory and Auxiliary Committees, 1 November 1933, DLP. Frank A. Pearson's defense of the Warren gold policy is in Pearson, W. I. Myers, and A. R. Gans, "Warren as Presidential Adviser," Farm Economics, No. 211 (December 1957), pp. 5637-56.

[6]Rumely to Directing Committee, 1 May 1934; Rand to National Advisory and Auxiliary Committees, 8 May 1934; Rand to B. C. Forbes, 23 May 1934 and Earl Harding to Democrats, 26 May 1934, DLP.

other legal procedure possible except a 'once for all' devaluation and the public was then probably not ready for an adequate increase in price." Warren boasted that even within the limitations imposed on the program, the experiment had halted the deflationary cycle and resulted in a more buoyant and stable price level.[7]

The New Deal's disdain for laissez-faire government added to the rift between the Committee and the Roosevelt regime. The Republican free enterprise Board of Directors of the Committee disliked the administration's emphasis on government planning. Rumely confided, "the deepest meaning in Professor Warren's thought always has been the implied belief that if the price level is preserved . . . there will be an opportunity for the free plan of individual initiative and the further development of our capitalistic economy."[8] The Committee secretary believed that "socialism" should be limited to government control of money and banking, but that other economic activity ought to be freed from the "dead hand" of government regulation.[9]

During 1934 the Committee's private enterprise emphasis led it to promote several campaigns which chastized the administration for abandoning monetary measures in favor of alleged socialistic alternatives. In January the Committee sponsored Professor Douglas Copland of the University of Melbourne in a series of lectures directed at

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[7]Quoted in Rumely to Directing Committee, 26 May 1934, DLP.

[8]Rumely to Directing Committee, 7 December 1933, DLP.

[9]Rumely to Directing Committee, 1 February 1934, DLP; also Professor David Novick to Committee, 6 April 1934, DLP.

farm audiences. Copland criticized the NRA and the AAA and argued that Australia and New Zealand, though revaluing gold 25 per cent above the British pound, had restored prosperity and avoided socialistic interventionist schemes. The Committee furnished Copland's monograph, Australia and the World Crisis, to more than forty agricultural organizations.[10]

In February the Committee began an effort to defeat the Fletcher-Rayburn Bill which, as the Security Exchange Act, received the President's signature on June 6, 1934. While admitting the existence of security abuses, the Committee viewed the licensing and regulatory features of the proposed bill as a dangerous grant of power over private property to the federal government. In addition, the bill seemed an attempt to displace the monetary remedy with a "restrictive regimentation program."[11]

On March 23, 1934, James H. Rand, Jr., Chairman of the Committee, testified against the Fletcher-Rayburn Bill before the House Committee on Interstate Commerce. Rand described the bill as the product of "theoretical young men" who hoped to guide the country to the left, perhaps even to Communism. Still, Rand depicted Roosevelt as the "hope

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[10]Rumely to Directing Committee, 6 January 1934 and 25 January 1934, and Rumely to Miller, 25 January 1934, DLP.

[11]See Rand to Wood, 12 February 1934; Rumely to Directing Committee, 20 February 1934, and to Rand, 9 March 1934; Rand to Sexauer, 21 March 1934; F. Spencer Baldwin to Rumely, 1 March 1934, and "Special Research Memorandum Dealing with the Proposed Fletcher-Rayburn Bill--National Securities Exchange Act of 1934," No. 4, Prepared for the Committee by the National Industrial Conference Board, March 19, 1934, 7 pages. The foregoing are in DLP.

of the country," if only the President would restrain his advisers and exercise proper monetary leadership.[12]

Rand appended to his remarks before the House Committee a statement of Dr. William A. Wirt, Superintendent of the Gary, Indiana School System. The Gary official claimed that while in Washington during the summer of 1933, a group of "brain trusters" confided to him their plot to replace the traditional "social order" with the regimented state. Over cocktails, talkative junior government employees informed the credulous pedagogue that they intended to thwart recovery until the people demanded fundamental reform including the nationalization of business and industry. Wirt quoted one conspirator as warning, "Mr. Roosevelt is only the Kerensky of this revolution."[13]

Wirt, a frequent correspondent with fellow Indianian Edward Rumely, supported the Committee for the Nation and the Warren monetary panacea.[14] Perhaps frustration at the administration's monetary inaction prompted Wirt to unveil his bizarre story. A Congressional investigation into the allegations of Communist intrigue proved the story without merit. Nevertheless, Wirt and indirectly the Committee for the Nation, the publisher of the Hoosier's charges, were among

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[12] "Full Text of Statement by James H. Rand, Jr., on Regimenting Aspects of the Fletcher-Rayburn Bill," to House Committee on Interstate Commerce, March 23, 1934, 8 pages. Warren papers, Cornell University.

[13] Wirt, "The Road to Destiny Charted for Americans by Some of the Brain Trusters," published by the Committee for the Nation and attached to the Rand statement immediately above.

[14] Numerous letters between Rumely and Wirt are located in the Rumely Papers, Indiana University.

the first to discredit the New Deal with the specter of the Red Menace.[15]

By the end of the New Deal's first year, the Committee's anti-regimentation campaign led it into open conflict with the Department of Agriculture and Secretary Henry A. Wallace. When the Secretary called for international cooperation and economic planning in the pamphlet, "America Must Choose," the Committee published a William Wirt authored response, "America Must Lose."[16] The essay predicted that government imposed regimentation such as the AAA and the NRA could lead to the loss of private property rights and Communism and asked for a raise in the price of gold as a means of insuring liberty and prosperity. During the controversy, Wallace, a former committee board member, confidentially wrote Rand denying that his "planned middle course" led to regimentation or the left. He agreed that increasing the price of gold had provided "a much needed breathing spell," and that further increases in the price of gold might become necessary. But, "Whatever is done about money the choice between the courses I outlined will have to be

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[15]Select House Committee, _To Investigate Charges Made by Dr. William A. Wirt: Hearings_, 73d Cong., 2d Sess., April 10, 1934. See also _Prairie Farmer_, CVI (April 28, 1934), p. 6; Arthur M. Schlesinger, Jr., _The Age of Roosevelt: The Coming of the New Deal_ (Boston: Houghton Mifflin Co., 1959), pp. 457-60.

[16]Wallace, "America Must Choose: The Advantages and Disadvantages of Nationalism, of World Trade and of a Planned Middle Course" (Boston: Foreign Policy Association and World Peace Foundation, 1934), 33 pages; Wirt, "America Must Lose--By a Planned Economy and the Stepping Stone to a Regimented State" (New York: The Committee for the Nation, 1934), DLP.

made, soon or late. The money policy does not provide an alternative."[17] The monetarists of the Committee and the secretary no longer shared a common premise.

The conflict between the Committee and the Agriculture Department increasingly polarized.[18] One gleeful conservative expressed surprise at the development and chided Rand, "I thought the Committee for the Nation had gone to bed with Roosevelt."[19] The Committee found itself further estranged when the Agriculture Department sponsored the Bankhead Bill providing for compulsory cotton acreage reduction. Rumely described the Bankhead proposal as one of "crop restriction versus monetary action" and Committee members shared Washington gossip that insiders in the Agriculture Department viewed the bill as but the initial step in a broad and permanent program of mandatory controls. The agitated Committee heard reports that agricultural officials admitted the effectiveness of the gold program in raising the price of cotton, but now opposed such a move in order to create greater demand

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[17]Wallace to Rand, 9 March 1934, and Rand to Wallace, 1 March 1934, Record Group 16, Secretary of Agriculture, "Currency," National Archives. Another Wallace assessment of the gold policy is in Wallace, "Report of the Department of Agriculture to the Executive Council: Probable Effect of Gold Policy on Agricultural Exports," February 17, 1934, Ibid.

[18]Wallace, New Frontiers (New York: Reynal and Hitchcock, 1934), 314 pages, scathingly reviewed the work of the Committee. The book characterized the Wirt incident as "comical" and accused the Committee of promoting a higher price level through monetary means so that it might satiate its Wall Street nurtured appetite for speculation. Wallace concluded, "They were interested in changing the rules of the game with respect to money but not with respect to anything else." See Ibid., pp. 60-61 and 91-100.

Rumely's private reaction to the Wallace charges is, "He should have known better." See Rumely to Directing Committee, 5 October 1934, DLP; also Rumely to Wallace, 16 June 1934, DLP.

[19]L. Horn to Rand, 28 March 1934, DLP.

for the allotment approach.[20] George Warren, still an active advisor to Morgenthau, met with Committee leaders in New York during the second week of March and noted their hostility toward the AAA and NRA programs. His diary observed that the professor attempted to "tone down their conversations to a constructive basis."[21]

The Committee's anti-AAA stance threatened to disrupt the harmony with which organized agriculture had supported the honest dollar campaign. When Committee for the Nation propaganda blasted the Bankhead Cotton Control Bill, Edward O'Neal, President of the Farm Bureau, strongly protested. The Alabaman believed that both monetary and production control benefited the cotton industry.[22] Arthur H. Packard, President of the Vermont Farm Bureau, echoed O'Neal's sentiments when he wrote the Committee, "You are doing a valuable job on gold, do not spoil it by criticizing AAA. . . . Stick to your job."[23] Fred H. Sexauer, agriculture's contact man on the Committee, wrote Rumely concerning the Packard complaint, "This situation is bound to occur at any time the Committee goes outside of the particular field in which it brought the farm organizations together for action." Sexauer recommended confining the committee's work to monetary matters and implied

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[20]Committee to Members of Congress, _et al_., 15 March 1934, George F. Warren papers, Cornell University. _See_ also Bankhead's angry response to the above: Bankhead to Committee, 16 March 1934 and Rumely to Directing Committee, 19 March 1934, DLP.

[21]Warren Diary, March 11, 12, 1934.

[22]O'Neal to Sexauer, 8 March 1934, DLP.

[23]Packard to Committee, 15 September 1934, DLP.

that should the Committee again pursue matters extraneous to the money issue it might lose the support of organized agriculture.[24]

While O'Neal and a majority of farmers supported the New Deal, many agriculturalists, particularly in the Northeast, agreed with the Committee's view of the AAA. The depression came belatedly and with less vengeance to Northeastern farmers. Yankee poultry and dairy interests saw little need for government controls that increased the price of feed grains and they complained that the benefits of allotment accrued primarily to Southern and mid-Western agriculture. The farmers of New England and New York also believed in the George Warren commodity dollar panacea with its corollary that more radical programs were unnecessary and probably threatening to free enterprise agriculture. The disaffection of the Committee for the Nation for the New Deal partially reflected and encouraged Northeastern agriculture's indifference to the Wallace-Tugwell program.

Howard E. Babcock, columnist and part-owner of New York's <u>American Agriculturalist</u>, became the most outspoken proponent of the commodity dollar and the harshest critic of AAA production controls in the Northeast. A Warren disciple and a participant in the deliberations of the Committee for the Nation, Babcock opposed the AAA for putting government into farming which he thought violated the "Yankee principles" of "thrift, self-reliance and rugged individual character." The columnist observed that Southerners and Midwesterners dominated New Deal agricultural agencies and he charged they cared little for

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[24]Sexauer to Rumely, 21 September 1934, DLP.

the problems confronting Northeastern farmers. Babcock complained that the "tremendous bally-hoo" associated with the AAA diverted farmers from such fundamental issues as the honest dollar campaign.[25] The popular journalist created consternation within organized agriculture when in March 1934 he called for "the states east of Ohio and North of the Carolinas" to secede from the American Farm Bureau Federation because of its role in the formation of the AAA.[26] The New Yorker's challenge drew an immediate response from such midwestern leaders as Clifford Gregory, but for awhile threatened the unity of the Nation's largest and most powerful farm organization.[27]

More than an occasional intemperate Babcock essay bothered Northeastern agricultural leaders. The New York delegation to the December 1934 Chicago Annual Farm Bureau convention vainly attempted to

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[25]Pertinent Babcock columns are "Kernels, Screenings, and Chaff," American Agriculturalist, CXXI (March 3, 1934), pp. 30; (March 31, 1934), p. 26; (May 26, 1934), p. 26; (June 23, 1934), p. 26; (December 22, 1934), p. 30; (April 28, 1934), p. 26. Related are Frank E. Gannett, "Americans Dare to Live," American Agriculturalist, CXXXI (February 2, 1934), pp. 1, 19; E. R. Eastman, "We Visit with Secretary Wallace," American Agriculturalist, CXXXI (March 3, 1934), p. 5; Rumely to Directing Committee, March 20, 1934, DLP; Gannett, Eastman, Babcock, "Farmers Suggest a Permanent Administration Program for Agriculture," American Agriculturalist, CXXXI (April 28, 1934), p. 4; "Right Attitude Toward AAA," American Agriculturalist, CXXXI (May 12, 1934), p. 4; Gannett, Eastman, and Babcock, "Who Says It Doesn't Work!," American Agriculturalist, CXXXI (May 26, 1934), p. 1; Rumely to Eastman, October 3, 1934, and Eastman to Rumely, 4 October 1934, DLP.

[26]Babcock, "Kernels, Screenings and Chaff," American Agriculturalist, CXXXI (March 17, 1934), p. 30.

[27]"Dividing Forces in Agriculture," Wallaces' Farmer, LIX (March 31, 1934), p. 201; "Stirring Up Sectional Jealousies," Wallaces' Farmer, LIX, p. 413; "Sectional Prejudice," Prairie Farmer, CVI (April 14, 1934), p. 8. "Parade of the Week," Prairie Farmer, CVI (May 12, 1934), p. 6; "Thoughts on the New Deal," The Illinois Agricultural Association Record, XII (June 1934), p. 1, 4; "Farmers Should Stand Together," Prairie Farmer, CVI (June 9, 1934), p. 8.

replace O'Neal as president of the organization.[28] During 1934, activists within New York, New Jersey, and Massachusetts seriously contemplated Babcock's call to secede from the American Farm Bureau.[29] Edward S. Foster, General Secretary of the New York State Farm Bureau Federation, blamed the discontent on discord over the production control program of the AAA and discrepencies in the priority the two sides gave the Warren monetary elixir. For his part, Foster admitted studying the works of Warren and Pearson "like the Bible" and recalled, "I'm sure it's true that there was no state in the country that had the exposure to what makes prices and the monetary system that the farmers in New York State had had. . . . That accounts for a lot of the difference in the point of view."[30] In a letter written in May 1934, Foster acknowledged that one of the charges made in New York against the American Farm Bureau had been that it "has not taken aggressive leadership in regard to the monetary program."[31]

The American Farm Bureau preserved its unity through simple agreement to tolerate its membership's schizoid response to national

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[28]Foster to Board of Directors, New York State Farm Bureau Federation, 15 December 1933, Gannett papers, Cornell University.

[29]See Christiana McFadyen Campbell, The Farm Bureau and the New Deal: A Study of the Making of National Farm Policy, 1933-1940 (Urbana: University of Illinois Press, 1962), pp. 80-84.

[30]Ed Foster, Oral History Project, Cornell University, pp. 76, 82.

[31]Foster to Board of Directors, N.Y.S.F.B.F., May 1934, Gannett papers. More on the confrontation between New York and the A.F.B.F. may be gleaned from Foster to Board of Directors, N.Y.S.F.B.F., 2 April 1934, 30 June 1934, and 2 October 1934, all in the Gannett papers, Cornell University.

farm issues.[32] Northeastern farmers continued to rank monetary policy first in priority while Midwestern and Southern agriculturalists, though sympathetic toward the Warren viewpoint, were increasingly indebted to the AAA. In July 1934, Rumely visited the Chicago headquarters of the Farm Bureau and reported that while Midwestern farm leaders liked the AAA, "they would cooperate on a purely monetary program."[33]

Through the remainder of the decade the national leadership of American Farm Bureau, including O'Neal and Gregory, routinely endorsed the monetary remedy. At its December 1934 national convention, the Bureau featured Warren as principal speaker, devoted an entire session to monetary issues and adopted florid resolutions favoring further revaluation and the commodity dollar.[34] Yet Ed Foster detected in all of this a certain affectation. "Every year in the annual meeting," he recalled, "New York and Vermont applied pressures for the American Farm Bureau Federation to really pick this one up [monetary policy] and do a job of it." But Foster observed, though the convention granted "courteous approval" of the monetary resolutions, "They didn't work hard in implementing it."[35] By July 1934, Rumely complained that agricultural leaders failed to see monetary action as a "do or die matter."[36]

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[32]Campbell, The Farm Bureau and the New Deal, pp. 81-82; Foster's reasons for staying in the National Bureau are listed in Foster to Directors of N.Y.S.F.B.F., 19 December 1935, Gannett papers, Cornell.

[33]Rumely to Directing Committee, 26 July 1934, DLP.

[34]Minutes of the Sixteenth Annual Convention of the American Farm Bureau Federation, Nashville, Tennessee, December 10-12, 1934; O'Neal, "The Three Horsemen of National Recovery," Bureau Farmer, (June 1934), pp. 7, 8, 9.

[35]Foster, Oral History, pp. 77, 82.

[36]Rumely to Sexauer, 28 July 1934, DLP.

After 1933, production controls proved the Bureau's first love, but on occasion the organization offered flirtatious gestures toward the Warrenites reminescent of the honest dollar passions of 1932-1933.

The Committee for the Nation accomplished more in 1934 than sterile carping at New Deal reform. Convinced that the Warren elixir still possessed restorative powers, the Committee, during the summer and fall of 1934, engaged in a vigorous "Gold Has Worked" campaign. The new endeavor defended the devaluations of 1933 and demanded that the price of gold be raised from $35 to $41.34, the ceiling fixed under the Gold Reserve Act of January 30, 1934. Once again the Committee rallied the American Farm Bureau, the Grange, the cooperatives, and the agricultural journals into a strident inflation lobby. Committee sympathizers interviewed administration leaders, including Secretary Wallace and Roosevelt; "educated" congressmen at propaganda dinners "on how well the gold policy worked"; published an estimated one million letters and pieces of literature including a series entitled, "The Library of Monetary Understanding"; and inundated the airwaves with inflationist rhetoric.[37] To finance its 1934 activities, the Committee

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[37]The Committee's 1934 activities may be traced in the several dozen letters contained in the Sexauer and Dairymen League Papers at Cornell and the Rumely papers at Indiana University. A 10-page summary is Rumely to Directing Committee, 2 October 1934, DLP. See also "The Next Steps," Bureau Farmer, X (June 1934), p. 6; Gannett, Eastman and Babcock, "Who Says It Doesn't Work," American Agriculturalist, CXXXI (May 26, 1934), p. 1; "Gold Price Should Be Raised to Help Farmers Now," American Agriculturalist, CXXXI (July 7, 1934), p. 4; "Strikes: If the Dutch Riot, Anything Can Happen--Anywhere!", Committee for the Nation pamphlet containing the 1934 monetary resolutions of the Grange, New York State Farm Bureau, American Farm Bureau, National Cooperative Council, and National Cooperative Milk Producers Federation, Sexauer papers, Cornell.

received $65,808.20 from firms and individuals; $23,500 from members of the Directing Committee; and $1,815.38 from the sale of books. Still its $91,123.58 income failed to meet the Committee's total 1934 expenditure of $98,923.33.[38]

Concurrent with the defense of the Warren elixir, the Committee and its inflationist allies revived the commodity dollar campaign. The concepts underlying the stabilization bill of 1932 remained alive during 1933 as Maryland Congressman Thomas Alan Goldsborough, with encouragement from the Committee and endorsement of organized agriculture, introduced stabilization legislation into the Seventy-Third Congress.[39] The new Goldsborough bill lay dormant under the shadow of the President's dramatic 1933 monetary moves until January 1934, when it became apparent the gold buying experiment would be abandoned. Seeking permanency for the monetary reform cause, stabilizationists made institutionalizing the commodity dollar the paramount legislative goal of the mid-thirties.

While Goldsborough directed its legislative fate, Frank A. Vanderlip provided the intellectual punch that served as the basis for the commodity dollar battle of 1934 and 1935. Assistant Secretary of the Treasury under McKinley, long-time President of New York's National

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[38]Rumely insisted that Committee funds undergo quarterly auditing. See "Committee for the Nation Contributions--1934," and "Committee for the Nation Expenses--1934," attached to Rumely to Directing Committee, 4 February 1935. An annotated list of contributors is contained in Rumely to Directing Committee, 13 March 1935, DLP.

[39]See H.R. 5160 and H.R. 5073, 73d Cong., 1st Sess., American Farm Bureau Official News Letter (May 16, 1933), p. 3; and Rumely to Directing Committee, 7 August 1933 and Goldsborough to Rumely, 12 October 1933, DLP.

City Bank and former President of the New York Clearing House Association, Vanderlip had cooperated with the Committee for the Nation from its inception in 1932. The banker authored the Committee's Five Next Steps, the monetary exegesis that seemed to forecast the New Deal's 1933 monetary program. One of the rare banker defenders of Roosevelt's gold program, Vanderlip believed the commodity dollar an untried theory whose impact on the stabilization of prices could best be calculated as "hopefully probable." But the commodity dollar experiment ought to be undertaken because of the mayhem associated with the classical gold standard, because the experiment avoided "irretraceable steps" and could be abandoned if found untenable, and because of the tremendous pressures on government for the harsher alternative of printing press inflation.[40]

In January 1934, after discussions with Roosevelt and the Committee, Vanderlip asked that all the various manipulative forces effecting the price level be combined within a single new agency. The Vanderlip plan created a seven member presidentially appointed board comprised of one at-large member and two representatives each from industry, banking and agriculture. The board, designated the Federal Monetary Authority, included among its duties establishing rediscount rates, conducting open market operations in government securities and bankers' acceptances, dealing in foreign exchange, purchasing gold and silver bullion and assuming the legal tender note issuing functions of the Federal Reserve. Vanderlip, an opponent of the Federal Reserve

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[40] Vanderlip, "President Roosevelt's Monetary Policy," radio address over NBC Blue Network, November 9, 1933, Warren papers, Cornell.

in 1913, now suggested reducing that system to a mere clearing house. The plan made it the "policy" of the United States to restore and stabilize wholesale prices at 1926 levels. The Federal Monetary Authority would establish a commodity dollar tied to the wholesale index, but eliminated the awkward procedure of varying the gold content of the dollar with each gyration in prices. Instead, the authority would seek stabilization through broad power over the nation's credit and currency resources. Though more sophisticated than its predecessors, the Vanderlip stabilization plan drew on the antagonism of managed currencyites toward the Federal Reserve and the stabilization tradition that dated to the first Goldsborough Bill of 1922.[41]

Vanderlip's proposal appeared within days of the administration's decision to quit the Warren experiment and received enthusiastic endorsement from those still seeking credit and currency inflation. The Committee for the Nation, agricultural groups, and Congressman Goldsborough quickly adopted the New York banker's plan. On January 20, Goldsborough introduced the Vanderlip scheme in the form of a bill entitled, "The Currency Control Act of 1934."[42]

During the spring, a House Banking and Currency subcommittee conducted hearings on the Goldsborough-Vanderlip proposal. Goldsborough cooperated with the Committee for the Nation so that a number of

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[41]Vanderlip to the President, 19 January 1934; Rumely to Directing Committee, 11 January 1934 and Rumely to Vanderlip, 12 January 1934, DLP.

[42]See H. R. 7157, 73d Cong., 2d Sess., January 20, 1934; O'Neal to Rumely, 1 February 1934 and Pearson to Rumely, 7 February 1934, DLP.

commodity dollar advocates testified in favor of the bill.[43] The major question before the Committee, however, concerned the administration's attitude toward the bill. On February 27, Goldsborough telegraphed Rumely that Secretary Morgenthau would provide the administration's answer in an appearnce before the Committee on March 1. Goldsborough cautioned, "It sounds like bad news."[44]

Appearing before the Committee, Morgenthau read a prepared statement cleared earlier with the President. The Secretary described the Goldsborough Bill as "worthwhile and important," but observed "The country has just come through one of the most difficult banking crises it has ever had, and we are just beginning to see daylight a little." The cabinet official asked the committee to delay new currency legislation until January 1935 in order to give the administration time to evaluate the results of the New Deal's first year of monetary experimentation.[45]

Morgenthau's wait-until-next-year ploy failed to deter stabilizationists from seeking immediate enactment of the Goldsborough Bill. Attempting to broaden support for the Federal Monetary Authority, Goldsborough and the Committee for the Nation accepted a silver amendment negotiated among Representative James Scrugham of Nevada and Father Coughlin and Vanderlip. The Scrugham amendment directed the Federal

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[43]See Rand to Wood, 12 February 1934; Rumely to Vanderlip, 15 February 1934; Rumely to Directing Committee, 19 March 1934, DLP and "Memorandum," 12 March 1934, Warren papers.

[44]Goldsborough to Rumely, 27 February 1934, DLP.

[45]New York Times, 2 and 4 March 1934; Rumely to Directing Committee, 3 March 1934, DLP.

Monetary Authority to purchase one billion ounces of silver at the rate of not less than 50,000,000 ounces per month until 371-¼ grains of silver equaled "in purchasing power" 23.22 grains of gold. The amendment authorized the Monetary Authority to issue legal tender silver certificates against the cost of the silver it purchased.[46] Acceptance of the silver amendment promised to add 100 silver representatives to the stabilizationist cause. Goldsborough reported to Rumely that the merger of silverite and stabilizationist assured the matter being brought to the floor of the House where, he predicted, it will succeed "by an overwhelming majority."[47]

In spite of Goldsborough's optimism, the bill remained mired in the House Banking and Currency Committee during 1934. Roosevelt's decision to appease the silver block with the Silver Purchase Act of June 1934 lessened the enthusiasms of that lobby for the stabilizationist cause. But of overriding importance, commodity dollar advocates failed to convert Roosevelt to the Vanderlip plan. In early January, when the plan first made news, a reporter asked Roosevelt if the administration were about to establish a central bank. "I think it is a rotten guess," Roosevelt responded, adding that Andrew Jackson had already abolished it.[48] By mid-April nothing happened to alter the

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[46]A copy of the Scrugham amendment with an attached memo dated 21 March 1934 is in the Pittman papers, Library of Congress. See also Rand to Thomas, 25 April 1934 and Committee for the Nation to Ellison D. Smith, et al., April 23, 1934, Thomas papers, University of Oklahoma.

[47]Rumely to Directing Committee, 17 March 1934, DLP. See also Kenneth G. Crawford, "Silverites Throw Support Behind Central Bank Bill," New York Post, 26 April 1934.

[48]Roosevelt Press Conferences, January 12, 1934, III, p. 61.

President's mind. The notes of a conference held on April 14 between Roosevelt and key senators to review pending legislation indicated that when the Monetary Authority Bill appeared on the agenda, the President dismissed the issue with a curt "thumbs down."[49] The next day during a similar session, when House leaders voiced "strong support" for the bill, Roosevelt explained he shared the desire to achieve stabilization and added that some such plan would evolve eventually. But, he concluded, "I think you are a little ahead of time." The opposition of Roosevelt to the bill proved decisive. The Vanderlip-Goldsborough scheme would await a new Congress.[50]

As the Morgenthau testimony regarding the Vanderlip-Goldsborough scheme suggested, following a year of drama, New Deal monetary policy entered an era of quiescence. Though publicly embracing the triumvirate reflation, remonetization, and stabilization, administration monetary policy in the post-Silver Purchase Act period was passive and ambiguous.[51] During the New Deal's second winter, Roosevelt generally evaded questions regarding monetary issues. When a reporter inquired in October 1934 if a recent visit with Warren indicated a change in the gold

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[49]"The President's conference with the Senators, Saturday Afternoon, April 14, 1934," PSF, Roosevelt Library.

[50]"The President's conference with Members of the House of Representatives at 8:30 P.M., Sunday evening, April 15, 1934," 419, Roosevelt Library.

[51]Roosevelt stressed reflation in FDR Press Conferences, V, March 6, 1935, pp. 144-145, and "steadiness of prices and value," in an address to bankers. See Samuel I. Rosenman, (comp.), The Public Papers and Addresses of Franklin D. Roosevelt, III (New York: Random House, 1938), p. 439. A summary of administration monetary goals is Morgenthau, "The American Dollar," Morgenthau Diary, Book V, delivered over the radio May 13, 1935, 22 pages.

policy, Roosevelt joined in the general laughter when he responded, "I am neither a prestidigitator nor an astrologist. Let it go at that."[52] A few weeks later when asked about reports concerning the establishment of a central banking system the President mockingly responded, "Who raised the ghost? . . . I only know what I have read in the papers." Though he confessed, "That is a mean answer," Roosevelt continued to meet reporters' monetary questions with taciturnity during the spring of 1936.[53]

Intellectual uncertainty may have explained the administration's new passive monetary posture. Roosevelt acknowledged to reporters in April 1934 that devaluation had failed to influence prices "as much as we expected," and later informed Morgenthau, who disagreed that the Warren program "had not worked."[54] In spite of much accomplishment, the New Deal ship of state seemed adrift during the winter of 1934-1935.[56] Morgenthau confessed to a group of advisors in September that "at this moment nobody from the President down has a way out," and he asked for suggestions that "would give me a new deal for the administration."[56] In April 1935, Roosevelt aboard the President's special train en route from Jacksonville, Florida to Washington, passed the time in informal

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[52]Roosevelt Press Conferences, IV, October 12, 1934, pp. 130-31.

[53]Ibid., October 24, 1934, p. 144.

[54]Roosevelt Press Conferences, III, April 20, 1934, p. 293; Morgenthau, Diary, Book III, January 3, 1935, p. 23.

[55]Arthur M. Schlesinger, Jr., The Age of Roosevelt: The Politics of Upheaval (Boston: Houghton Mifflin Co., 1960), pp. 1-11.

[56]Morgenthau, Diary, Book II, September 12, 1934, p. 70.

conversation with reporters. Observing that he had read "a lot of financial literature on the trip," Roosevelt confided that of the fifteen English and American economists he had analyzed, "Two things stand out: the first is that no two of them agree and the other thing is that they are so foggy in what they say it is almost impossible to figure out what they mean. It is jargon, absolute jargon."[57] The New Deal's search for a new deal subsequently produced the great legislative package of 1935. Yet monetary issues remained difficult and the Banking Act of August 23, 1935 was the last of the great reform measures to receive approval.

During the post-Silver Purchase Act era, New Deal political problems contributed to the ambivalent nature of administration monetary policy. While Roosevelt disdained economic jargon, he appreciated that an occasional juggling of monetary policy might serve useful political ends. The gold purchases of October 1933 and the silver program originated partially from the administration's desire to calm farmers and curry the favor of the silver bloc. In January 1935, Roosevelt again attempted to manipulate monetary affairs for political purposes. He instructed Morgenthau to keep the bond and foreign exchange markets in an unsettled condition until the Supreme Court handed down its decision on the gold clause cases. The President reasoned, "the only way that the man in a taxicab can become interested in the Gold case is if we kept the story on the front page." With the markets in turmoil, should the Supreme Court verdict prove disappointing, "the man on the

[57]Roosevelt Press Conferences, V, April 18, 1935, pp. 184-86.

street will say for God's sake, Mr. President, do something about it."[58] Though in this instance Morgenthau refused to acquiesce and the President retracted the instruction, it appeared that Roosevelt understood the possibilities of a politically inspired monetary policy.[59] During 1935, Roosevelt considered Long, Coughlin, and Townsend, all inflationists, greater political threats than Hoover and his gold standard followers.[60] Confronted with "the politics of upheavel," administration monetary policy occasionally retreated into equivocation.

Roosevelt probably welcomed inflationists for interviews during 1934 and 1935 as both a truth seeker and a politician. Among others, he met and corresponded with representatives of the Committee for the Nation, agricultural leaders, former Senator Robert L. Owen, President of the Sound Money League, and Irving Fisher.[61] Fisher, the veteran

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58Morgenthau, Diary, Book III, January 14, 1935, p. 98.

59Ibid., January 15, 1935, p. 101.

60Roosevelt to Gannett, 1 March 1935, OF 229; see also Roosevelt to Ray Stannard Baker, reprinted in Donald Day, Franklin D. Roosevelt's Own Story: Told in His Own Words From His Private and Public Papers (Boston: Little Brown and Co., 1951), p. 239; and James A. Farley, Jim Farley's Story: The Roosevelt Years (New York, McGraw-Hill Book Co., Inc.), 1948, p. 52.

61See Rumely to Roosevelt, 7 September 1934, Rand to Roosevelt, 12 September 1934, Bendix to Roosevelt, 12 August 1934; Committee to Roosevelt, 11 December 1934, O'Neal to President, 13 October 1934; Roper to Rand, 5 November 1934, all in DLP; and McIntyre to Owen, 25 October 1934 and Roosevelt to Owen, 6 November 1935, Owen papers, Library of Congress, Washington; and Wood to President, 11 and 24 October 1934, OF 229, FDR Library, Hyde Park. References for 1935 include: The National Agricultural Conference to President, 14 January 1935; Rumely to McIntyre, 27 April and 6 May, 1935, OF 229, FDR Library, Hyde Park: Rand to Roosevelt, 16 February 1935, 4 March 1935, 9 April 1935, 15 April 1935, 16 May 1935, 26 July 1935; Rumely to Directing Committee, 15 March 1935 tells of Rand's interview with Roosevelt, all in DLP; Broughm to Owen, 12 and 15 July 1935, tells of a Fisher interview with the President, Owen papers, Library of Congress; and Wood to FDR, 8 August 1935, PPF 1365, FDR Library, Hyde Park.

stabilizationist, understood that a struggle for the President's monetary mind continued. He complained to Marvin McIntyre, Roosevelt's appointments secretary, that several "who regard my influence with the President as 'dangerous' have sought to prevent that influence being given full opportunity."[62] Yet Roosevelt periodically met with the Yale professor and granted Fisher permission to dedicate his 1934 monograph, Stabilized Money: A History of the Movement, to the President. The book praised New Deal monetary policy as representing "the goal at which the stable money movement has aimed."[63]

George F. Warren's peripatetic association with the New Deal during 1934 and 1935 epitomized the administration's amphibolic monetary posture. The Cornell professor failed to see the President between the January decision to abandon the gold experiment and August 1934. During that interim Warren remained a part-time advisor to Morgenthau, whom he counseled on such issues as gold purchases, bond sales, exchange ratios and stabilization fund procedures.[64] Warren repeatedly urged

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[62]Fisher to McIntyre, 24 December 1934; also see "Memo for Mac" from FDR, 28 December 1934 and a Fisher "Memo," 6 September 1934, in OF 229, FDR Library, Hyde Park. Rumely to Directing Committee, 3 October 1934, DLP, describes a Fisher-Roosevelt conference.

[63]Irving Fisher, assisted by Hans R. L. Cohrssen, Stabilized Money: A History of the Movement (London: George Allen and Unwin, Ltd., August 1934), p. v. See also Rumely to Directing Committee, 19 September 1934, DLP. During the summer and fall of 1935, Roosevelt consulted Fisher regarding appointments to the Federal Reserve's newly created Board of Governors.

[64]Warren's 1934-1935 activities may be followed in the Warren Diary, and in Warren correspondence with Oliphant, Morgenthau and James H. Rogers, Warren papers, Cornell. See also F. A. Pearson, W. I. Myers and A. R. Gans, "Warren as Presidential Adviser," Farm Economics (New York State College of Agriculture, Cornell University, December 1957), pp. 5662-5676.

further devaluations eliciting from Morgenthau the complaint that the professor wanted to "buy all the gold in the world."[65] Yet the Secretary valued the economist's advice. Warren frequently stayed in Washington as Morgenthau's guest and the Secretary often funneled the Cornellian's views directly to the President.[66]

On August 14, two days before Warren left to attend a conference of agricultural economists at Bad Eilsen, Germany, he and Morgenthau stopped at the White House for a 50-minute chat with the President. Morgenthau provided Warren letters of introduction and asked the professor to gather European reaction to American silver policy. Roosevelt and Warren discussed the relative merits of devaluation and the AAA in raising farm prices. Roosevelt credited the AAA for most of the price increases. Warren objected and noted, "I irritated him for the first time in my experience." Still Roosevelt expressed interest in the inflationary impact of manipulating gold, asked Warren for some price data to use at the press conference the next day, and concurred with Warren that the administration should have raised the price of gold higher than it did in January 1934. At the conclusion of the session, Warren asked Roosevelt to "leave [the] door open" regarding future gold devaluation. Roosevelt agreed and asked Warren to "come in" when he returned from Europe. Significantly, as Warren left, Governor George L. Harrison of the New York Federal Reserve Bank and Eugene R. Black of

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65Warren Diary, February 21, 1934.

66Morgenthau, Diary, Book I, August 20, 1934, p. 23. Warren Diary, April 25, 1934.

the Federal Reserve Board, both nemeses to the Warren viewpoint, entered for a two-hour session with the President.[67]

During the winter and spring of 1934 and 1935, Warren continued to divide his energies between Ithaca and Washington. On October 11, Warren discussed the results of his European trip with the President. At the luncheon meeting Roosevelt principally inquired about the feasibility of stimulating recovery through public works, though he asked if Warren still thought it necessary to raise gold to $41.34.[68] In mid-January Morgenthau again summoned Warren to Washington to work on a speech for the Secretary, celebrating the anniversary of gold devaluation. While in Washington Warren saw Frank Gannett, Rochester, New York publisher and supporter of the Committee for the Nation who reported that the "President told him Warren was 'dead right' and has been right all along." The publisher quoted the President as confiding, "Warren is working on a plan for me."[69]

Warren and Herman Oliphant, General Counsel to Morgenthau, had been assigned to work on a law and a Constitutional amendment, should the Supreme Court invalidate the government's suspension of the gold clause in private and public contracts. The administration anxiously awaited the pending court decision and deliberated alternatives, should

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[67]Warren Diary, August 14, 1934; Frank Waltman, Jr., "Money Plan, Pondered at White House," Washington Post, August 15, 1934.

[68]Warren Diary, October 11, 1934. Attached to the foregoing is a "Memorandum on Prices," which Warren presented to the President during their conference. See also Warren to Morgenthau, 12 September 1934, Warren papers, Cornell University.

[69]Warren Diary, January 15, 1935.

the opinion uphold the sanctity of the gold clause. In response to an adverse decision, Warren suggested pegging the dollar to the pound at a 5 to 1 ratio, further gold devaluation and symetallism. Warren recorded that Roosevelt was "fully sold" on the latter. During one of the pre-verdict worry sessions, Morgenthau informed advisors that "the gold policy was the major one of the administration affecting recovery and that the President never said it failed." The group then discussed managed currency and Warren advocated its immediate adoption, should the court produce an unfavorable ruling.[70]

The court announced its emotion-laden and historic gold clause cases decision on February 18, 1935. The justices found the suspension of the gold clause in government contracts both unconstitutional and unconscionable, but on a 5-4 vote ruled that bondholders could not sue for damages. Labeling the New Deal action illegal and immoral, the court nonetheless allowed the administration to have its way.[71] The decision contained another irony. While conservatives damned it and reformers like the Committee for the Nation welcomed it, the verdict alleviated the urgency for a genuinely radical monetary program. The decision, in effect, freed the New Deal to follow moderate monetary instincts.

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[70]Warren Diary, January 15, 16, 17, 1935; Harold L. Ickes, The Secret Diary of Harold Ickes, The First Thousand Days, 1933-1936 (New York: Simon & Schuster, 1953), p. 294.

[71]William E. Leuchtenburg, Franklin D. Roosevelt and the New Deal, 1932-1940 (New York: Harper and Row, 1963), p. 144. Roosevelt's hostile reaction to the court's decision is in Rosenman, The Public Papers of F.D.R., IV, pp. 7-8.

Warren's Washington influence subsided with the passing of the gold clause crisis. In mid-March, Morgenthau assembled Warren and a dozen Treasury and Federal Reserve experts for a discussion of the monetary situation. The Secretary informed the group that Roosevelt desired a higher price level and asked Warren to lead the discussion how such a goal might be achieved. If Morgenthau hoped for a consensus from the group, he was disappointed. Warren reported that Harrison and T. Jefferson Coolidge "would do nothing"; Williams would "cut wages and deflate"; Jacob Viner would "call an international conference"; and Henry Wallace would postpone monetary action "'till new crop when prices are low."[72] On March 16 Warren met with Roosevelt in a genial but unproductive session in which they decided it would be inadvisable for the President to address the nation on monetary matters.[73] Between the March meeting and Warren's death in May 1938, the Cornellian rarely saw the President, though he continued to counsel Morgenthau on a variety of monetary issues. Relegated to the status of an in-house exile, a frustrated Warren encouraged Morgenthau to rekindle the President's interest in gold and prices.[74]

Senator Elmer Thomas of Oklahoma also contributed significantly to the nuances that comprised the inflationists campaign of 1934 and 1935. The Oklahoman's tenacious pursuit of a cheaper dollar earned him the sobriquet "The Undoubting Thomas" from the eastern press and the

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[72]Warren Diary, March 13 and 15, 1935.

[73]*Ibid.*, March 16, 1935.

[74]*Ibid.*, June 24, 1936. See the Warren-Morgenthau correspondence and the Warren-Rogers correspondence, Warren papers, Cornell University.

leadership of Congressional inflationists.[75] Unhappy with the Treasury's cautious execution of the Silver Purchase Act of June 1934, Thomas pushed the administration into greater silver purchases and on August 9, nationalization of the white metal. But neither silver purchase nor nationalization resulted in substantive currency expansion.[76] Disappointed, Thomas acted the role of inflationist gadfly, ever anxious to remind the administration of its monetary responsibilities.

Thomas' reputation as the farm state senator most publicly identified with the inflation cause forced the Committee for the Nation to work with the Oklahoman. Almost from its inception, Rumely sent Committee propaganda to the Senator and on one occasion the former medical student mailed Thomas 72 globules containing a J. P. Morgan prize tonic of cod liver oil, yeast and vitamins, because "your personality and influence are of such vital importance."[77] Whether or not the banker's elixir bore responsibility, the inflationist proved an energetic co-worker for the Committee. In June 1934, the Oklahoman proposed that the Federal Reserve be replaced with a "Supreme Court of Money" whose outlines resembled the Vanderlip Plan.[78] In July, the Senator, with the endorsement of the Committee, blasted the rumored exchange-rate stabilization negotiations between Reserve and European

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[75] New York Times, 3 August 1934.

[76] John A. Brennan, Silver and the First New Deal (Reno: University of Nevada Press, 1969), pp. 137-138; New York Times, 2 August 1934.

[77] Rumely to Thomas, 1 March 1935, Rumely papers, Indiana University.

[78] See S. 3798, 73d Cong., 2d Sess., June 6, 1934, and Thomas to Lewis, 4 June 1934 and Thomas to LeBlanc, 20 June 1934, Thomas papers.

banking officials at Basel, Switzerland. The resulting outcry forced the bankers to disavow any stabilization move.[79] During August the Committee arranged for Thomas to deliver the principal address on Farm Organization's Day at the Chicago World's Fair. The nationally broadcast speech, written with the aid of Rumely, demanded a further rise in the price of gold and explained "How creditor classes can save themselves by conceding the Honest Dollar." The Committee distributed 30,000 reprints of the preoration and Irving Fisher delivered a petition from farm leaders praising the speech to Hyde Park.[80]

During the final quarter of 1934, Thomas worked with the Committee, Father Coughlin and silverites preparing for the next Congress. On December 5, he published an open letter to congressmen and public officials listing twenty-two proofs that the dollar remained overvalued. Thomas concluded that regardless of administration policy, the incoming Congress must reflate the dollar to 1926 levels.[81] In late December the Oklahoman invited sixteen organizations including the Committee for

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[79]See Ewing to Thomas, 17 July 1934, Thomas papers; Bendix to Roosevelt, 12 August 1934, DLP; New York Times, 10 and 11 July 1934.

[80]New York Times, 14 August 1934; Rumely to Sexauer, 16 August 1934; Rumely to Directing Committee, 16 August 1934; Thomas to Harding, 16 August 1934; Thomas to Rand, 21 August 1934; Rumely to Directing Committee, 25 September 1934, all in DLP. See also Rumely to Thomas, 28 September 1934, Thomas papers, and Thomas, "Money," Bureau Farmer, X (September 1934), pp. 1, 4. The Fisher episode is recorded in New York Times, 8 September 1934.

[81]Thomas to Senators, Congressmen, et al., 5 December 1934, Thomas papers. See congratulatory letters of O'Neal to Thomas, 29 December 1934, also those of Senator Peter Norbeck of South Dakota and Representatives Alfred F. Beiter of New York, Fred C. Gilchrist of Iowa, Clarence E. Cannon of Missouri, Rush D. Hall of West Virginia and Will Rogers of Oklahoma, Thomas papers.

the Nation and the major farm groups to participate in a National Monetary Conference at Washington, D. C., scheduled for mid-January. Thomas hoped the disparate inflation forces might "try and agree upon a definite program" to present to the new Congress.[82]

The National Monetary Conference convened under Thomas' chairmanship on January 16, 1935, in the Senate Office Building meeting room of the Committee on Agriculture and Forestry. Delegates included senators, congressmen and representatives from such esoteric groups as the Peoples Power League, National Depositors Committee, Social Credit Association and the American Society of Martians, proud of its two publications, Message from Mars and Gold Standard.[83] The morning session granted a dozen monetary enthusiasts ten minutes each to speak on behalf of a favorite monetary elixir. The multifarious proposals ranged from the suggestion that the government award every family on relief five hundred dollars, to the familiar, if no less emphatic inflation rhetoric of Irving Fisher, Father Coughlin, and Edward Kennedy, Secretary of the Farmers' Union.[84]

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[82]Thomas to Sexauer, 5 January 1935. See also Everson to Thomas, 24 December 1934; Rumely to Thomas, 26 December 1934, Thomas papers, and New York Times, 24 December 1934.

[83]Represented at the conference were Robert L. Owen's Sound Money League; The Veterans of Foreign Wars; The National Depositors' Committee; The American Society of Martians; The National Association for Social Justice; The American Monetary Association; World Monetary Reform League; The People's Power League; National Soldier's Bonus League; the Social Credit Organization of the United States; The Organization for the Abolition of Poverty; The Five Hundred Dollar Club; Irving Fisher; and Robert H. Hemphill, Columnist for the Hearst publications.

[84]Proceedings of National Monetary Conference, mimeographed, Washington, D. C., January 16, 1935, 92 pages. See also "List of Names Taken from Cards Received at Door, Monetary Conference," January 16, 1935, Thomas papers.

The afternoon session of the conference adopted a series of monetary resolutions. The conference agreed that the Federal Reserve must be replaced with a government owned central bank that would serve as the "sole bank of issue" for American currency. Other resolutions urged detachment of the dollar from a fixed relationship to gold and remonetization of silver, payment of the soldiers bonus "in full," management of the domestic price level through "currency and credit controls," and replacement of government "tax-exempt, interest-bearing bonds" with "non-interest bearing legal tender notes" issued through the new central bank. Curiously reversing the psychology of numerous government bond drives, the conference also resolved that Congress investigate the "identity" of the creditors of the United States "with the object of determining and disclosing potential enemies of the nation."[85]

Thomas' attempt to fashion an inflationist consensus failed to materialize. Three days after the conference adjourned, the Oklahoman described the "central purpose" of the inflation meeting as an endorsement of a central governmentally owned bank and currency expansion. The Senator dismissed the balance of the resolutions as "more or less local in nature."[86] Yet fear of those "local" resolutions prevented the Committee for the Nation and probably the Farm Bureau and the Grange from attending the Washington money session. Rumely pointed to the resolutions on silver remonetization and fiat currency as supporting

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[85] Ibid., pp. 75-78.

[86] Thomas to George Malone, 19 January 1935, Thomas papers.

"the wisdom of our refraining from participation in the money conference." He also complained that the resolution urging "nationalization" of the Federal Reserve differed from the Vanderlip plan which called for the Reserve to remain a "banker's institution" subserviant to a central monetary authority. Though critical of the Thomas conference, Rumely hoped the radicalism of the Washington Conference might frighten "standpatters" into supporting the comparatively moderate program of the Committee for the Nation.[87]

In the wake of the National Monetary Conference, inflationists looked to the new Congress for additional monetary legislation. The first session of the Seventy-fourth Congress convened on January 3 and lasted until August 26, 1935. The exhaustive session voted on three issues dear to inflationists, but fragmented and suffering from diminished popular support and administration opposition, the currency expansionists met defeat. Yet the session proved productive as it passed major monetary and banking reform legislation.

Elmer Thomas continued to press the administration for a more generous silver policy during 1935. In March, Thomas attempted to attach a silver amendment to the administration's $4.88 billion Public Works Bill. Thomas explained to members of the Senate silver bloc that the amendment would expand the currency through a "rational and conservative increase in the use of silver."[88] The latest Thomas amendment

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[87]Rumely to Directing Committee, 18 January 1935, DLP. See also O'Neal to Thomas, 16 January 1935; Warren to Thomas, 8 January 1935; Wood to Thomas, 8 January 1935, all of whom declined to attend the conference, Thomas papers.

[88]Thomas to Hon. Henry F. Ashurst, et al., 22 February 1935, and Thomas to Ernest D. Krecht, 19 January 1935, Thomas papers.

compelled the Treasury to issue silver certificates based on the monetary rather than the lessor bullion value of its silver holdings. The measure also included a mandatory silver purchase feature which directed the Treasury to buy at least fifty million ounces per month, either until silver comprised one-fourth of the value of all monetary stock, or until it reached $1.29 per ounce.[89] Thomas projected that the amendment would add one and a half billion to the currency supply within 22 months.[90]

Thomas' proposal received a mixed response from silver senators. Lynn J. Frazier of North Dakota and Gerald P. Nye of South Dakota pledged support, but the leader of the Senate silver bloc, Nevada's Key Pittman, warned that without the endorsement of the President, "I do not believe we can get a majority vote in the Senate on your amendment."[91]

Thomas sought the President's support in a letter addressed to the Chief Executive on March 8. The Oklahoman stressed that silver offered a conservative basis for a controlled expansion of the currency, in contrast to the soldiers' bonus and a Wheeler greenback plan then under consideration in Congress. Thomas concluded that if his program were adopted, prices could recover their 1926 levels and "we would have

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[89]Text of the amendment is printed in U. S., Congressional Record, 1st Sess., 74th Cong., March 22, 1935, p. 4239. The amendment also provided that the silver certificates be reissued and kept in constant circulation and granted the Secretary of the Treasury discretionary powers to exchange gold for silver or to accept silver in payment of debts owed the government.

[90]New York Times, 23 March 1936, p. 1.

[91]Frazier to Thomas, 25 February 1935; Pittman to Thomas, 28 February 1935; Nye to Thomas, 4 March 1935, Thomas papers.

no further serious controversy over the money question."[92] The arguments may have impressed the President who arranged to meet with Thomas, Morgenthau, and Herman Oliphant in mid-March to discuss the Senator's suggestions.[93] Still the President failed to endorse the Thomas measure.

After nearly seven weeks and thirty amendments, Senate leadership grew increasingly impatient to pass the Public Works Bill. On March 23, the Senate voted to table the Thomas Amendment 40 to 33, for the works bill meant aid to the unemployed and patronage and several like George Norris, who normally supported silver legislation, voted against Thomas. Undeterred, the Oklahoman, a skilled parliamentarian, immediately reintroduced the silver amendment with but minor revisions. Faced with a Thomas filibuster, Senate Majority Leader Robinson threatened cloture. Instead, confronted with the tactics of Thomas and a grandiose announcement from the traveling Huey P. Long that he intended to join the silver debate on Monday, Senate leadership capitulated. On Saturday, March 23, the Public Works Bill with the Thomas silver amendment attached received Senate approval, 68 to 16.[94]

Senator Glass, the architect of the Senate compromise, seemed confident the House would reject the Senate amendments to the works bill.[95] The strategy worked. Despite an emotional appeal from

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[92]Thomas to Roosevelt, 8 March 1935, Thomas papers.

[93]"Memo for Mac," March 9, 1935, OF 229, FDR Library

[94]U. S., Congressional Record, 1st Sess., 74th Cong., March 22, 1935, pp. 4272-4305, and Ibid., March 23, 1935, pp. 4349, 4362; New York Times, 23 March and 24 March 1935.

[95]Ibid., 23 March 1935, p. 4353.

Representatives John Rankin of Mississippi and Martin Dies of Texas for the Thomas silver feature, the lower body voted to send the Public Works Bill to conference committee stripped of the Senate amendments. The 263 to 108 defeat of the Rankin-Dies position saw 80 Democrats, 19 Republicans, 7 Progressives and 3 Farmer-Laborites vote with the minority. On March 27 the Conference Committee approved the works bill, but deleted the Thomas silver provision.[96]

The New York Times reported the Thomas defeat illustrated the waning sentiment for inflation in Congress. Columnist Turner Catledge detected a new Presidential attitude towards monetary issues, concluding "there is a distinct impression in Washington that he is unalterably opposed to any further tampering with the medium of exchange."[97] Catledge might have been even more impressed with the enigma of Roosevelt's monetary mind had he read a memorandum from the President to Morgenthau written about three weeks after the defeat of the Thomas amendment. Concerned with financing the work relief program, Roosevelt quizzed the Secretary, "Is there anything to prevent us from taking all of the seigniorage we have received on silver purchase and coin it into fifty cent pieces and dollars and use it to pay part, if only a small part, of the work relief costs? This sounds like Senator Thomas, but I would like to know what authority the law gives us."[98]

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[96]The house debate is in Ibid., March 26, 1935, pp. 4465-4476. See also New York Times, 28 March 1935.

[97]Turner Catledge, "Inflation Sentiment Wanes in Congress," New York Times, 31 March 1935, IV, 10:7, and Ibid., 27 March 1935, p. 1:3.

[98]Roosevelt to Morgenthau, 16 April 1935, OF 229, Roosevelt Library.

The President also suffered irresolution regarding the next currency expansion proposal to come before Congress--the veterans' bonus. From 1932 to 1936 the immediate cash payment of the veterans' adjusted compensation certificates proved a resilient measure. Hoover routed the issue and its proponents in 1932 and Roosevelt successfully opposed the proposition in 1933 and 1934.[99] Texas Representative Wright Patman's H. R. 1 reintroduced the matter in January 1935. The Texan's latest effort combined immediate payment of the bonus with currency expansion. The bill required that the veterans be paid with 2.2 billion legal tender non-interest bearing notes. The measure also contained a currency control feature. Should the Secretary of the Treasury discover the commodity prices exceeded their 1921-1929 averages, the bill authorized him to withdraw from circulation an appropriate amount of Federal Reserve and National Bank notes.[100] On March 22, the date before the Senate accepted the Thomas silver amendment, the House passed the Patman bonus-honest dollar measure, 319 to 90.[101]

Elmer Thomas, with the support of the Farmers Union, the Committee for the Nation and other agricultural-inflationists, directed

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[99]The bonus issue is traced from its origin during the Wilson Administration to its payment in 1936 in the mistitled Roger Daniels, _The Bonus March: An Episode in the Great Depression_ (Westport, Conn.: Greenwood Publishing Corp., 1971), 360 pages.

[100]U. S., _Congressional Record_, 1st Sess., 74th Cong., March 19, 1935, p. 3989.

[101]_Ibid._, March 22, 1935, p. 4314.

the Patman bill through the Senate.[102] During debate in the upper chamber, Thomas emphasized the monetary features of the bill explaining "we propose to finance the payment of the adjusted-service certificates . . . exactly as the administration financed the Civil War."[103] Evidently the money of Lincoln still held its attractions as the Senate approved the measure 55 to 33 on May 7.[104]

After initially expressing strong opposition to the Patman bill, the President wavered. Among others, Vice President Garner argued that payment of the bonus was inevitable and that a veto might produce unfortunate political repercussions. On May 20 Roosevelt told a Patman led delegation that though he opposed the current bill, he had "an open mind" regarding possible alternative bonus legislation. That afternoon Roosevelt recalled the Patman conversation to a chagrined and dedicated opponent of the bonus, Henry Morgenthau. Roosevelt explained his equivocation on the issue as "never let your left hand know what your right hand is doing." Unconsoled, Morgenthau quizzed, "Which hand am I, Mr. President?" The reply came quickly, "My right hand. But I keep my left hand under the table." Later Morgenthau observed, "This is the most frank expression of the real F.D.R. that I ever listened to and that is the real way that he works."[105]

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[102]See Arthur Capper, "Congress Strongly for Bonus," Capper's Weekly, LX (January 19, 1935), p. 2; and letters to Thomas reprinted in U. S., Congressional Record, 1st Sess., 74th Cong., May 7, 1935, p.7059; and Rand to Henry Morgenthau, Jr., 20 May 1935, Sexauer papers.

[103]U. S., Congressional Record, 1st Sess., 74th Cong., May 7, 1935, p. 7053.

[104]Ibid., p. 7068.

[105]John Morton Blum, From the Morgenthau Diaries: Years of Crisis, 1928-1938 (Boston: Houghton Mifflin Co., 1959), pp. 249-259.

Roosevelt possessed the qualities of the lion as well as the fox, and with encouragement from Morgenthau the President replaced equivocation with resolute opposition to the Patman bill. On May 22, in a dramatic and unprecedented gesture, Roosevelt delivered his bonus veto message in person to a joint session of Congress. Broadcast over national radio, the President's speech admitted the "good faith" of the opposition but denied that able-bodied veterans deserved special indulgences from the government. After reviewing the post-war history of the bonus controversy, Roosevelt employed nearly a fourth of the speech denouncing the evils of currency inflation. While admitting that the expenditures called for in the measure could be funded, Roosevelt warned that "printing-press money" might prove equally seductive to other special interest groups. If abused the too generous issuance of treasury notes would lead to "uncontrolled prices and the destruction of the value of savings that will strike most cruelly those like the veterans who seem to be temporarily benefited."[106] Roosevelt's orthodoxy recalled that similar admonitions against currency tinkering had earlier been directed at the administration.

Within minutes of the delivery of the veto message, the House voted 322 to 98 to override, but the Senate, the bane of the bonus since 1932, sustained the President 54 ayes to 40 nays on May 23.[107] Several thought that had the Patman bill omitted the controversial

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[106]The veto message is printed in U. S., Congressional Record, 1st Sess., 74th Cong., May 22, 1935, pp. 7993-7996.

[107]The House vote is U. S., Congressional Record, 1st Sess., 74th Cong., May 22, 1935, p. 7997; the Senate vote is Ibid., May 23, 1935, pp. 8066-8067.

currency provision, the measure might have secured the eight Senate votes needed for approval.[108] The episode marked a setback for Greenbackism. But the bonus, stripped of the currency feature, and after additional Roosevelt wavering, overcame a half-hearted veto in January 1936. Solons undoubtedly recalled the fate of the last politician to offend veterans during a presidential election year.[109]

The third issue to arouse inflationists during the eight month opening session of the Seventy-Fourth Congress concerned the fate of the Federal Reserve System. By 1935 demands to reform or replace the Reserve received almost universal support from those who identified themselves as progressives. The farm organizations, Senators Thomas, Borah, Bronson Cutting, Huey Long, and such disparate personalities as Amos Pinchot, William Lemke, Father Coughlin and Ezra Pound, commonly criticized the Reserve.[110] Within the administration, Roosevelt, Wallace, and Morgenthau discovered faults in the System. In the fall of 1934, Roosevelt selected Utah banker Marriner S. Eccles as the new Chairman of the Federal Reserve Board. The Westerner accepted the appointment based on Roosevelt's pledge that the administration would work to overhaul the Wilsonian institution.[111]

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[108]See Arthur Krock, New York Times, 23 May 1935, p. 22.

[109]Blum, Morgenthau Diaries, pp. 256-259; Daniels, Bonus March, pp. 240-41.

[110]See Coughlin to Thomas, 8 February 1935, Thomas papers; Cutting to Mack, 20 February 1935; Robert Owen to Cutting, 21 February 1935; Pound to Cutting, 12 June Anno XII, Cutting papers, Manuscript Division, Library of Congress, Washington; Borah to Yingst, 16 March 1935, Borah papers.

[111]Marriner S. Eccles, and Sidney Hyman (ed.), Beckoning Frontiers: Public and Personal Recollections (New York: Alfred A. Knopf, 1966), pp. 165-176.

Eccles' nomination as Chairman of the Federal Reserve Board pleased the Committee for the Nation and its farmer allies. The banker appreciated stabilization doctrine and had joined the Committee, undersigned the _Five Next Steps_, and donated $750 to the Rand group during 1933. In numerous letters to the Committee, Eccles explained he shared the view that the Reserve ineptly responded to the crash of 1929, that frozen deposits in closed banks ought to be quickly released, and that the nation's money and credit should be rationally managed.[112] Eccles failed, however, to accept all Committee dogma, for he believed the Warren gold elixir pointless and probably dangerous.[113] Still in August 1934, when rumors of his impending nomination surfaced, Rand praised the Westerner to Roosevelt and Rumely reviewed his correspondence with the Utah banker and reported, "Our files show a long record of cooperation."[114]

After weeks of intramural bickering the administration revealed its proposed "Banking Act of 1935" on February 5.[115] Titles I and III

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[112]Rumely to Directing Committee, 12 November 1934, DLP, contains excerpts from ten Eccles letters to the Committee spanning 1933 and the first half of 1934.

[113]Eccles personally debated gold with Warren in January 1934. See _Beckoning Frontiers_, pp. 137-38.

[114]Rand to Roosevelt, 22 August 1934 and Rumely to Board of Directors, 6 September 1934, DLP.

[115]Helen M. Burns, _The American Banking Community and New Deal Banking Reform_, 1933-1935 (Wesport, Conn., Greenwood Press, 1974), pp. 139-147. Three first person accounts of these negotiations are Blum, _From the Morgenthau Diaries_, pp. 343-54; Eccles, _Beckoning Frontiers_, pp. 165-99; and J. F. T. O'Connor, _The Banking Crisis and Recovery Under the Roosevelt Administration_ (Chicago: Callaghan and Co., 1938), pp. 23-25.

of the suggested legislation liberalized provisions for the Federal Deposit Insurance Corporation and clarified technical provisions of the Banking Act of 1933. The heart of the bill, Title II, required fundamental changes in the Reserve and clearly indicated Eccles' influence.[116] To expedite monetary management the bill reorganized the system and centralized power in the Federal Reserve Board. Board members salaries were elevated to cabinet rank and the selection of governors and vice-governors of the Federal Reserve banks were made subject to Board approval. Aside from gaining new prerogatives over personnel, the Board received unprecedented responsibility to manage the nation's credit and monetary machinery. A Board dominated open market committee would henceforth formulate policy "binding on the Federal Reserve banks" and "in order to prevent injurious credit expansion or contraction" the Board received the right to alter reserve requirements.[117] The measure indicated that Eccles shared Roosevelt's belief that monetary and banking policy must be subject to greater public regulation. Eccles wrote Henry Wallace that if Congress would approve the bill, "I believe that all which could be accomplished through a central bank can be accomplished through the Federal Reserve System."[118]

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[116]Eccles influence may be measured by comparing a memo he wrote for Roosevelt entitled, "Desirable Changes in the Administration of the Federal Reserve System," November 2, 1934, 3 pages, with the final bill. A copy of the memo is in the Morgenthau Diary, Book II, pp. 155-157.

[117]See S. 1715, by Fletcher, U. S., Congressional Record, 74th Cong., 1st Sess., February 6, 1935, pp. 1514-1523. Fletcher summarized the bill in Ibid., pp. 1523-24.

[118]Eccles to Wallace, 8 February 1935, Secretary of Agriculture, Record Group 16, "Banks," National Archives, Washington, D. C.

Aware of the administration review of banking and monetary policy, the Committee and its friends sought to formulate their own proposals during the early weeks of 1935. After consulting Vanderlip, Warren and Pearson, the mid-January National Agricultural Conference, and others, the Committee published its "1935 Program." The new agenda proved but an abstract of past Committee recommendations as the Rand organization again advocated the restoration of 1926 price levels and then currency stabilization. The Committee still believed the honest dollar could be achieved through abandonment of a fixed gold dollar, development of a domestic gold and silver market and the establishment of federal monetary authority. Pending adoption of such measures, the Committee urged the President to raise the price of gold to the legal maximum of $41.34.[119]

The February 5 release of the administration bank bill stirred the Committee and its farmer allies to renew the struggle for a federal monetary stabilization agency. During February, Vanderlip presented the Committee program to the Senate Agricultural Committee and to a national radio audience.[120] The Committee plan, a modification of the Vanderlip-Goldsborough Federal Monetary Authority Bill of 1934, urged Congress to create a government bureau with exclusive control over currency issue. The membership of the Authority, like appointees to the Supreme Court,

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[119]See Rumely to Directing Committee, 8 January 1935; Rumely to Wood, 18 January 1935 and 22 January 1935; Rumely to Vanderlip, 18 January 1935; Committee to Cabinet Members, *et al.*, 15 January 1935; Committee, "1935 Program," 6 pages, and "Statement of the National Agricultural Conference," 14 January 1935, DLP; and *Progressive Farmer*, L (March 1935), p. 13.

[120]Rumely to Directing Committee, 7 February 1935, DLP.

would serve for life to diminish political meddling. Once Congress determined the level of prices best for the country, the Authority would wield the powers thought necessary to achieve the targeted price plateau. The plan retained the Federal Reserve as a privately owned institution, but limited its function to that of holding cash reserves and rediscounting the commercial paper of member banks.[121]

Rumely and the Committee detected important differences in the Eccles Bill and the monetary authority approach. They complained the administration bill failed to include a gold repricing mechanism or establish a free gold and silver market. A strong, presidentially appointed Board also might politicize the Reserve and bring about the "socializing" of money, credit and investment in contrast to the Committee's dual system which retained private enterprize banking and nationalized only the control of monetary policy.[122] On February 19 Eccles and Vanderlip shared a speaking appointment at the Harvard Club in New York City. Vanderlip reported Eccles' speech "pitiful." "Instead of logic or insight, he presented a simile 'pump priming.' It is a big pump and you cannot pump it with a trickle." To the disgust of Vanderlip, Eccles advocated a counter-cyclical fiscal program taxing in times of prosperity and spending in times of depression, while granting only "left-handed admission" that the value of money ought to

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[121]Radio address by Vanderlip, "Tomorrow's Money," February 19, 1935 and Rumely to Directing Committee, 5 February 1935, DLP.

[122]Rumely to Directing Committee, 11 February 1935, 25 February 1935, and Rumely to Vanderlip, 11 February 1935, DLP.

be regulated.[123] Eccles, though still a stabilizationist, had left the narrower world of the monetarists.

In spite of doubts about Eccles, Rumely believed the President possessed "enough money insight" that he might be won to the Committee program.[124] Roosevelt had submitted the Eccles bill to Congress in March as a tentative proposal and subsequently allowed subordinates and the Congressional committees to resolve differences on the bill.[125] In early May, even the House Democratic Steering Committee seemed unable to determine the President's attitude towards the measure, and not until June did Roosevelt label the Eccles bill an administration measure.[126] Roosevelt's facility on the issue encouraged Rumely and the Committee for the Nation to undertake a major drive to include stabilizationist objectives in the omnibus banking package. As for strategy, Rumely, mindful of the vitriolic radio language of Coughlin, urged the Committee to employ "private meetings" and "temperate statements" rather than "controversy in the press" in its approach to the administration.[127] To reinforce such appeals the Committee again staged dinners, radio appearances, seminars and published thousands of pieces of literature. To finance the campaign, Rumely incessantly canvassed

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[123]Quoted in Rumely to Directing Committee, 20 February 1935, DLP.

[124]Rumely to Directing Committee, 11 February and 28 March 1935, DLP.

[125]Leuchtenburg, Franklin D. Roosevelt and the New Deal, pp. 159-60. Burns, The American Banking Community and New Deal Banking Reforms, p. 140, unconvincingly portrays the Eccles bill as "nothing less than a Roosevelt measure."

[126]U. S., Congressional Record, 74th Cong., 1st Sess., 8 May 1935, p. 7168.

[127]Rumely to Directing Committee, 5 March 1935, DLP.

supporters though contributions amounted to about two-thirds that of the previous year. Still the Committee spent approximately $4,250 per month during the first half of 1935, the period coinciding with the height of the Congressional battles for money and banking reform.[128]

The first opportunity to gain Congressional support for the Federal Monetary Authority came as the Eccles bill lay in the House Banking and Currency Committee. The Committee's ranking Democrat, Thomas Alan Goldsborough, once again led House stabilization forces. Goldsborough proved popular among farm groups because of his commodity dollar convictions. O'Neal recalled that when the Farm Bureau decided to push for the honest dollar, "We went down to Washington . . . and we had a hell of a time to find somebody who would listen to our cause. Well we got this staunch, red-headed straight-fightin', straight-liquor drinkin' congressman from the Eastern shore of Maryland . . . Mr. Goldsborough."[129] The Democrat's honest dollar enthusiasm dating back to 1922, actually preceded those of the Farm Bureau. Eccles also admired Goldsborough and considered him the intellectual leader of the House Banking and Currency Committee.[130] During hearings on the banking bill in March and April, Goldsborough arranged for Irving Fisher, O'Neal,

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[128]The Committee received gross income of $59,767.61 during 1935 and spent $44,725.20, the balance being applied to the previous year's debt. See "Committee for the Nation Financial Statement for the Year 1935," attached to Rumely to Sexauer, 12 January 1936. Also, Rumely to Directing Committee, 8 June 1935, DLP.

[129]O'Neal address to the 17th Annual Convention of the American Farm Bureau Federation, December 9-11, 1935, pp. 108-109.

[130]Eccles, Beckoning Frontiers, pp. 181, 200, 219-221.

Sexauer and E. S. Foster to testify at great length in favor of stabilization.[131] Rumely considered the House hearings crucial to the effort to secure monetary reform and arranged to distribute 10,000 copies of the testimony.[132]

The leadership of Goldsborough, the tactics of the Committee for the Nation, and the lobbying of organized agriculturd appeared to have some effect on the administration. During the last week of March O'Neal met with Roosevelt and asked for further gold devaluation and an amendment to the banking bill granting the commodity dollar.[133] The farm spokesman reported that the President indicated "he may not be firmly committed to the bill as it stands."[134] Overcoming initial difficulties, Rumely managed to have Chairman Steagall, an administrative ally, reopen the House Banking and Currency Committee hearings on April 8 to allow testimony from Rand and Vanderlip.[135] The evening before the Rand-Vanderlip Steagall Committee appearance Eccles met with Committee for the Nation officials for a private but congenial five hour session. Afterwards Rumely reported that the Reserve Board

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[131]Rumely to Directing Committee, 18 March 1935 and Rumely to Sexauer, 13 March 1935, DLP. See also U. S., Congress, House Committee on Banking and Currency, <u>Banking Act of 1935</u>: <u>Hearings on H. R. 5357</u>, 74th Cong., 1st Sess., February, March and April 1935, 882 pages.

[132]Rumely to Directing Committee, 1 April and 27 April 1935, DLP.

[133]O'Neal to President, 23 March 1935, OF 229, FDR Library; "A.F.B.F. Seeks Establishment of Commodity Dollar," <u>Official News Letter</u>, XIV (April 2, 1935), pp. 1, 4.

[134]Quoted in Rumely to Directing Committee, 28 March 1935, DLP.

[135]Steagall to Committee, 28 March 1935 and Committee to Steagall, 1 April 1935; Rumely to Directing Committee, 1 April 1935, DLP.

Chairman "seemed desirous of having the Committee's cooperation in connection with the Banking Bill."[136]

The Eccles session convinced the Committee that the administration might agree to compromise on monetary issues. The day following the conversation with the Reserve Board Chairman, Rand and Vanderlip praised Roosevelt's monetary leadership to the House Banking and Currency Committee and even dropped demands for a separate federal monetary agency.[137] Instead, Committee officials agreed the Eccles bill might be acceptable if properly altered and within days the Committee and its allies produced the Goldsborough Amendment of 1935. The latest Goldsborough effort condensed in two brief paragraphs the matured creed of the decade-and-a-half long honest dollar crusade. The measure demanded reflation of wholesale prices, stabilization of the dollar tied to a commodity index, creation of "a free and open" gold and silver market, and the delegation of appropriate monetary responsibilities to the Reserve Board and the Treasury. The Committee anticipated the Goldsborough Amendment would be attached to Title II of the omnibus bank bill.[138]

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[136]Rumely to Directing Committee, 8 April 1935 and 9 April 1935; Eccles to Rand, 15 April 1935, DLP.

[137]U. S., Congress, House, Committee on Banking and Currency, Banking Act of 1935, Hearings on H. R. 5357, 8 April 1935, pp. 825-59, 876. See also Rand to Roosevelt, 9 April 1935; and Rand to Eccles, 10 April 1935, DLP.

[138]Rumely to Directing Committee, 10 April 1935 and 15 April 1935, DLP; Rumely to Sexauer, 13 April 1935, Sexauer papers. An early draft of the Amendment is Rumely to Sexauer, 13 April 1935, Sexauer papers, while the final text is printed in U. S., Congressional Record, 74th Cong., 1st Sess., May 8, 1935, p. 7163. See also Rand to Roosevelt, 15 April 1935, DLP.

In spite of appearances that it wished to have the Committee's cooperation, the administration rejected the Goldsborough Amendment. In a telephone conversation on April 15, Eccles informed the Committee "He would not be willing to go along as head of the Federal Reserve Board under a price level mandate from Congress because he did not see how it could possibly be carried out." The Reserve official also protested the Warren free gold market elixir.[139] After the Eccles rebuff the Committee concluded "The White House must be convinced of the political expediency of meeting the wishes of the agricultural West and South."[140] Disappointed at a former Committee associate, stabilizationists again turned to the President and Congress.

Within a week of Eccles' rejection of the Goldsborough Amendment the New Dealer convinced the House Banking and Currency Committee to attach a stabilization declaration to the bank bill. The amendment ordered the Federal Reserve Board to exercise its powers "to promote business stability . . . so far as may be possible within the scope of monetary action and credit administration." Though Eccles opposed a Congressionally mandated price level he favored a generic statement supporting stabilization as a goal of Reserve policy. The <u>New York Times</u> explained that Eccles and the President had approved the stabilization clause because "a number of businessmen and financiers want it" and because the administration hoped the measure might relieve strong sentiment among House Banking and Currency Committee members for the

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[139] Memo from Earl Harding to Directing Committee, 15 April 1935, Warren papers.

[140] <u>Ibid</u>.

Federal Monetary Authority. Whatever the motive, the Committee rejected the Monetary Authority, but only after it accepted the administration's stabilization substitute.[141]

Dissatisfied with the Eccles compromise, the Committee determined to fight for the Goldsborough Amendment on the House floor. During the next few weeks the Committee did everything possible to stimulate organized agriculture to fight for the Goldsborough Amendment. Fred Sexauer, the Committee's contact man with agriculture, organized the National Cooperative Council, the American Farm Bureau, the Grange, and the farm press in a mass appeal to Washington.[142] On May 1 the Committee and the farm organizations hosted 65 Congressmen at a Washington dinner that featured Sexauer, O'Neal, and other advocates of the stabilization cause.[143] Though the campaign drew notice from the press

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[141] New York Times, 22 April 1935, 25:1.

[142] Examples of the dozens of letters in the Sexauer and Dairymen's League Papers that relate to the 1935 campaign are Sexauer to Directors, et al., 20 April 1935; Committee to Each Member and Supporter, 22 April 1935; Sexauer to Congressmen, 27 April 1935; Committee to all Members of Senate, House, et al., 30 April 1935; Herbert P. King, President of NYSFB to Congress, 17 April 1935; Charles W. Holman, To Members of Congress, 4 May 1935; Vanderlip "Open Letter" to Eccles, 6 May 1935; Rand to Farm Leaders, Editors of Agricultural Papers, 1 May 1935; Rumely to Directing Committee, 26 April 1935; Chart, "The Banking Bill of 1935--With and Without the Goldsborough Amendment," and Rand, "Congress and the Dollar," radio address over WEAF, May 8, 1935, 5 pages; Congressman Clukin to Sexauer, 29 April 1935, all in DLP. See also Rand to McIntyre, 6 May 1935, and Vanderlip to Howe, 3 May 1935, FDR Library; Gannett to Roosevelt, 6 May 1935, Gannett papers, Cornell; Amos Pinchot to Thomas, 7 May 1935, Thomas papers, University of Oklahoma; and Official News Letter, XIV (April 23, 1935), p. 1.

[143] Rumely to Directing Committee, 27 April and 30 April 1935, DLP. See also "Address by Sexauer at Dinner of farm organization leaders and Congressmen," 1 May 1935, 6 pages, Sexauer papers; "Address by Frank E. Gannett at Dinner," May 1, 1935, 9 pages, Gannett papers; "Statement Issued by Senator Elmer Thomas," 3 May 1935, and Rumely to Sexauer, 4 May 1935, DLP.

and support from Congressmen, it failed to secure the backing of the administration. Still Rumely thought the amendment had a "fair chance" in the House, though Ed Foster believed that without the President's support the amendment would fail, but that "our only hope of ever getting the type of monetary legislation we want lies along the line of everlasting hammering toward our goal."[144]

The House voted on the Goldsborough Amendment May 8. Observers recalled that the last Goldsborough bill to reach the floor of the House overcame adamant Hoover Administration opposition with a vote of 289 to 60. In 1935 with the Roosevelt Administration maintaining what one journalist reported as "quiet opposition," the Goldsborough Amendment met defeat 128 to 122.[145] The following day in a parliamentary maneuver aimed at keeping the amendment alive, the Goldsborough forces again lost 221 to 159.[146] Meanwhile the House defeated a Republican effort to delete the stabilization policy declaration from the bill 85 to 68.[147] The Goldsborough effort had shown greater strength than any of the various attempts to modify the Eccles bill in the House and

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[144]Foster to Board of Directors, New York State Farm Bureau Federation, 4 May 1935, Gannett papers; and Rumely to Directing Committee, 30 April 1935, DLP.

[145]U. S., Congressional Record, 74th Cong., 1st Sess., May 8, 1935, p. 7181; New York Times, 9 May 1935; and James McMullin, "The National Whirligig: News Behind the News," McClure Newspaper Syndicate, May 7, 1935.

[146]U. S., Congressional Record, 74th Cong., 1st Sess., May 8, 1935, p. 7182.

[147]U. S., Congressional Record, 74th Cong, 1st Sess., May 8, p. 7182.

stabilizationists expressed the conviction that without administration intervention the measure would have received approval.[148]

With the indefatigable spirit of true believers the Committee and its agricultural allies next attempted to have the Senate accomplish what the House had nearly done--attach the Goldsborough Amendment to the Eccles Bill. According to the envisioned stabilizationist scenario if the Senate passed the Goldsborough Bill the House would agree to it in conference, placing great pressure on the President to approve the measure.[149] Unfortunately for stabilizationists, the vision collided with Carter Glass of Virginia. Glass, defender of Reserve orthodoxy and nemesis of honest moneyites since the early 1920s, chaired the Senate subcommittee considering the omnibus bank bill. Under the Virginian's leadership the Committee not only rejected the Goldsborough Amendment, but eliminated the House approved stabilization policy clause. Confronted with an intransigent committee, stabilizaxionists concentrated on winning once the Eccles Bill got to the Senate floor. Again, honest moneyites deluged solons with letters, literature, petitions, and the farm press, especially Frank Gannett's American Agriculturalist, Clifford Gregory's Prairie Farmer, and Clarence Poe's Progressive

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[148]Stabilizationist reactions to the defeat are: Rumely to Ward, 15 May 1935; Congressman Hill to Rand, 10 May 1935, DLP; E. S. Foster to Sexauer, 15 May 1935; Sexauer to Foster, 16 May 1935, Sexauer papers; "Toward an Honest Dollar," Wallaces' Farmer, LX (May 25, 1935), p. 320; and Prairie Farmer, CVII (June 22, 1935), p. 4.

[149]Rumely to Directing Committee, 20 May 1935, Sexauer papers; and Rumely to Directing Committee, 29 June 1935, DLP.

Farmer offered strong editorial support.[150] On June 27 and July 15, the Farm Bureau, the Grange, the National Cooperative Council, the National Milk Producer's Federation, and the Farmer's Grain Corporation petitioned the Senate to add the Goldsborough Amendment to the bank bill. The Committee for the Nation and Rumely remained the vitalizing force behind these and other efforts to gain Senate approval for the honest dollar.[151]

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[150]Rumely to Directing Committee, 18 July 1935, DLP; Poe to Thomas, Thomas papers; Poe to Senator J. W. Bailey, 17 July 1935 and Poe to Borah, Borah papers, Library of Congress; Gannett to Bulkley, 4 June 1935, Gannett papers; Gannett to Senators Bulkly and Couzens, 10 June 1935, DLP; "Monetary Program Administration's Only Chance," American Agriculturalist, CXXXII (June 8, 1935), p. 1; Gannett, "We Need an Honest Dollar," American Agriculturalist, CXXXII (July 6, 1935), p. 2; Committee to All News Editors and Publishers of Cotton Growing States, 5 July 1935, DLP. See also Capper, "The People Must Decide," Capper's Weekly, LX (June 15, 1935), p. 2; Capper, "Two Big Battles Still Face Congress," Capper's Weekly, LX (June 29, 1935), p. 2; "Honest Dollar Upheld," Progressive Farmer, L (April 1935), p. 5; Poe, "Interpreting the World's News," Progressive Farmer, L (May 1935), p. 50; "Production Control vs. Dollar Devaluation," Progressive Farmer, L (August 1935), p. 3, 33.

[151]"Petition of Organized Agriculture to all Members of Congress," 27 June 1933, and Rumely to Directing Committee, 28 June 1935, DLP; "Farmer Groups Urge Stabilized Dollar," New York Times, 1 July 1935; American Farm Bureau, et al., to Thomas, 15 July 1935, Thomas papers. The campaign to win the Senate to the Goldsborough Amendment may be traced in the following: Rumely to Directing Committee, 28 May, 3 June, 4 June, 6 June, 26 June, 29 June, 2 July, 9 July, 10 July, 22 July, 23 July, 1935, all in DLP. See also Rumely to Rand, 20 May 1935, and Rand to Hearst, 21 May 1935, Sexauer papers; "What the Goldsborough Amendment Does," Committee pamphlet, June 1935; Rumely to O'Neal, 4 June 1935; Rumely to Sexauer, 14 June; Committee to Members of Congress, 21 June 1935; "Memorandum from Earl Harding," to Committee, 9 July 1935; Rumely to Harding, 11 July 1935; Rand to Roosevelt, 26 July 1935; and McIntyre to Rand, 31 July 1935, all in DLP. See also C. W. Lawrance to Sexauer, 7 June 1935; Committee to Fletcher and Steagall, 21 June 1935, Sexauer papers; Rumely to Thomas, 21 June 1935; Sid White to Thomas, 28 May 1935, Thomas papers; Pinchot to Senators Fletcher, Borah, and Costigan, 6 July 1925; "Statement by the Committee to Members of the United States Senate Banking and Currency Committee," 25 July 1935, Warren papers and Bendix to All Friends of the Committee, 13 July 1935, Rumely Collection, Indiana University.

Stabilizationists recruited William Borah of Idaho to lead the Goldsborough forces in Senate debate. On June 29, the Senator's seventieth birthday, delegates from the major farm organizations and the Committee met for a strategy session in the Westerner's Washington office.[152] The Senator agreed to sponsor the "Borah-Goldsborough" Amendment which he introduced on July 26. The work of Professor John R. Commons, the amendment called for the Federal Reserve Board to restore prices to pre-crash averages and stabilize them "within reasonable margins of variability." The Commons statement dropped the demand for a free gold market but ordered the Reserve Board to construct an index comprised of "the average of prices weighted in proportion to the sources of demand from substantially all of the economic interests in the United States for credit money and legal-tender money."[153] Though personally committed to stabilization, Borah never seemed enthusiastic about the proposition's chances in the Senate and ultimately refused to allow the amendment to stand the test of a vote.[154] He explained to Committee for the Nation supporter Frank Gannett that since the Eccles bill enjoyed the unanimous support of the Senate Banking Committee and

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[152]Borah's association with the Goldsborough Amendment may be traced in the following: Rumely to Directing Committee, 28 June 1935 and 2 July 1935, DLP; Rand to Borah, 8 May 1935; Poe to Borah, 23 July 1935, Sexauer to Borah, 23 July 1935; Pinchot to Borah, 25 July 1935, Borah papers, Manuscript Division, Library of Congress, Washington. Also Frazier to F. S. Rumely, 20 July 1935; Harding to Rand, 20 July 1935, Rumely to S. Rumely, 25 July 1935, Rumelv papers, Indiana University.

[153]U. S., Congressional Record, 74th Cong., 1st Sess., July 26, 1935, p. 11926; Borah's remarks are Ibid., pp. 11907-11911.

[154]Borah to Gannett, 15 July 1935 and Borah to Poe, 18 July 1935, Borah papers.

the full backing of the administration, "There was a feeling among all those who desired to secure amendments that the situation was hopeless . . . it was concluded that we should not offer an amendment and have it overwhelmingly defeated."[155] Devoid of a stabilization pronouncement, the omnibus banking bill passed the Senate on a nonrecorded vote July 26.[156]

As it became evident that efforts to secure the Goldsborough Amendment would fail, stabilizationists divided over the next course of action. Vanderlip, Borah, and Sears-Roebuck Chairman Robert Wood, believed the Committee and its allies ought to work to kill the banking bill.[157] Ironically the tactics of the obstructionist monetarists aligned them with an old enemy--the banking fraternity, who opposed the Eccles bill because of its emphasis on public regulation of their industry.[158] Undoubtedly hoping that the pressure of an election year might coerce Congress to be more amenable to stabilization legislation, Wood asked Roosevelt to delay a vote on the Eccles bill until January.[159] Roosevelt politely refused.[160] After the Senate's failure to act upon

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[155]Borah to Gannett, 1 August 1935 and Gannett to Borah, 31 July 1935, Ibid.

[156]U. S., Congressional Record, 74th Cong., 1st Sess., July 26, 1935, p. 11935.

[157]Harding "Memorandum," 9 July 1935 and Rumely to Directing Committee, 26 June 1935, DLP.

[158]Burns, American Banking Community and New Deal Banking Reforms, pp. 147, 150-151, 155-160.

[159]Wood to Roosevelt, 12 July 1935, PPF 1365, FDR Library, Hyde Park, New York.

[160]President to Wood, 18 July 1935, Ibid.

the Borah-Goldsborough Amendment, Wood described the frustration of many stabilizationists when he wrote the President, "Those of us businessmen who are liberals are very much in the position of the man without a country." The Sears official explained he did not want to "go back to the old order of things," but neither did he approve the President's course "during the last three months."[161] Meanwhile Rumely urged Borah to contest Roosevelt for the Presidency in 1936 on the monetary issue.[162]

More comfortable with legislative compromise, Congressman Goldsborough claimed achievement in spite of the failure to pass stabilization legislation. He believed immediate enactment of the Eccles bill, even without a stabilization declaration, important in order to break "the backbone of banking power over money." The Congressman informed the Committee for the Nation that passage of the administration measure would make it possible "to secure a price level mandate at the next session of Congress."[163] Goldsborough proved indispensable to the success of the Eccles bill as he became the most active member of the three-man House contingent to the Senate-House Conference Committee. Skillfully cooperating with Eccles, the Marylander overcame Senate-led objections and secured in Conference an effective central

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[161] Wood to President, 8 August 1935, Ibid.

[162] Rumely to Borah, 15 August 1935, Sexauer papers, and Rumely to Directing Committee, 24 August 1935, DLP.

[163] Quoted in Rumely to Directing Committee, 26 June 1935; and "Harding Memo," 9 July 1935, DLP.

bank law. Eccles gratefully recalled, "it was no exaggeration to say that had it not been for Steagall and Goldsborough, the whole attempt to revitalize the Reserve System would have been killed. . . ."[164] Both houses accepted the Conference Report on August 19 and the Banking Act of 1935 received the President's signature August 23, 1935.[165]

Roosevelt bore the ultimate responsibility for defeat of stabilization legislation during 1935. Yet as with other monetary issues, his stance seemed more pragmatic than unmitigated. When the Committee for the Nation mailed him a stabilizationist monograph he passed it on to a vacationing Morgenthau with the inscription, "H. M. Jr. to read while in swimming. This inspiring detective story will probably cause you to commit suicide."[166] Roosevelt's sardonic remarks may not have been directed at the book, but at the inept monetary practices the volume exposed. During Senate hearings on the Eccles bill in May, Morgenthau received Roosevelt's permission to advocate greater Reserve Board control over credit and open market operations and the government purchase of Federal Reserve stock.[167] Following Morgenthau's testimony, Roosevelt, in an off-the-record press conference, agreed with the Secretary, asserting "I think it [nationalization] would solve a great many questions." Roosevelt explained that had Andrew Jackson

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164 Eccles, Beckoning Frontiers, p. 181.

165 New York Times, 20 August 1935 and 24 August 1935.

166 Roosevelt to Morgenthau, 22 March 1935, PPF 357, FDR Library. The book was Sir Charles Morgan-Webb, Ten Years of Currency Revolution: 1922-1932 (New York: Committee for the Nation, 1935).

167 Morgenthau, Diary, Book IV, May 15, 1935, p. 114; New York Times, 19 May 1935.

chosen to nationalize rather than destroy the Bank of the United States, "it would have solved the banking situation at that time in a much more satisfactory way."[168] By August, Roosevelt opposed "any attempt to include monetary policies, industrial control, or the maintenance of price levels" in the Eccles bill.[169] On August 23, the date the Eccles bill became law, a reporter asked Roosevelt what he hoped the measure would accomplish. Roosevelt responded, "Read the title of the bill. I hope it will accomplish all those things." Then, perhaps in humor, he reminded the journalist, "The chief thing in the title says, ' . . . and for other purposes.'" On monetary issues Roosevelt remained grandly opaque even in victory.[170]

As the wearisome first session of the Seventy-fourth Congress came to a close, inflationists continued to seek monetary action. In July Senator Thomas gathered the signatures of 46 Senators on a petition requesting that the Treasury administer the Silver Purchase Act of June 1934 "enthusiastically."[171] Thomas believed that Morgenthau had purchased only about half the amount of silver required under the terms of the law and that "in the interest of cotton producers" the price of silver ought to be boosted.[172] The Thomas complaint resulted

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[168] Roosevelt Press Conference, #205, May 19, 1935, V, p. 287.

[169] "Memo" by Hon. Jesse H. Jones on August 2, 1935, conference with Roosevelt, #229, FDR Library.

[170] Roosevelt Press Conference #232, August 23, 1935, IV, p. 110.

[171] Thomas to Roosevelt, 22 July 1935, Thomas papers.

[172] Thomas to President, 20 June 1935, Thomas papers.

in the appointment of a Senate Special Silver Committee and though its chairman Key Pittman muted the subsequent investigation, the episode demonstrated the latent nature of the silver issue.[173] Meanwhile, Rumely overcame a threat from Sears-Roebuck, the Committee for the Nation's most generous sponsor, to withdraw financial support from the Rand group.[174] Instead, Sears and the Committee prepared to renew the battle for monetary reform in the forthcoming national elections.

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[173]Thomas to Ahurst, 7 August 1935; Thomas to Compton I. White, 20 August 1935 and White to Thomas, 26 August 1935, Thomas papers.

[174]During its first thirty months (January 1933 to June 1935), the Committee had received $31,750 from Sears-Roebuck, $19,000 from Remington-Rand, $18,500 from General Baking Co., and $500 from the Dairymen's League. See Rumely to Wood, 23 July 1935, and Wood to Rand, 22 July 1935 and 1 August 1935, DLP.

CHAPTER XI

FROM THE BATTLE FOR INFLATION TO INFLATION BY WAR: FARMERS, THE NEW DEAL AND MONEY, 1936-1941

Two developments in early January 1936 revived the debate over monetary policy. On January 6, the Supreme Court declared the AAA unconstitutional and on January 10, Roosevelt extended presidential powers to devalue the dollar and to manage the two billion stabilization fund until January 1936. "The Supreme Court's decision has put the United States back to midsummer 1933," proclaimed the Committee for the Nation and within days inflationist congressmen, the farm organizations and the National Agricultural Conference demanded renewed monetary activism as an alternative to the defunct AAA.[1]

The approaching national elections also provided monetarists an opportunity to promote monetary reform. In August 1935, Edward A. Rumely of the Committee for the Nation endorsed septuagenarian Senator William Borah of Idaho for the Presidency. By January 1936, Committee supporter Frank E. Gannett of Rochester, New York, publisher of _American Agriculturalist_ and owner of 19 northeastern newspapers,

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[1]Committee for the Nation Press Release, 8 January 1936, DLP; Sexauer to farm heads, 8 January 1936; "Resolutions," National Cooperative Council, Washington, D. C., January 15, 1936, 4 pages, Sexauer papers; and "President O'Neal Presents Recommendations of AFBF to National Agricultural Conference," _Official News Letter_, XV (January 21, 1936), p. 1.

joined Rumely in pushing the Westerner's candidacy.[2] Gannett hired Rumely to organize "The Farmers' and Business Men's National Committee for Borah" and contributed $25,000 to Borah and the honest dollar effort during the spring of 1936.[3] Borah, the co-author of the 1935 Goldsborough amendment, welcomed the support of Rumely and Gannett and during the Ohio primary announced that if nominated he would choose Gannett as his Vice Presidential running mate.[4] At the Republican convention in early June, the Idahoan gathered approximately 100 delegate votes, second only to Landon but not enough to prevent the nomination of the Kansan on the first ballot.[5]

Aside from the Borah campaign, monetarists worked to influence the formation of the Republican and Democratic monetary planks. In the weeks before the conventions, Fred Sexauer chaired the Monetary Committee of the National Cooperative Council--a committee that urged cooperatives and farm groups to contact local politicos regarding the money program and mailed pro-stabilization literature to each of the

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[2]Gannett to Borah, 6 January 1936; 11 January 1936; and Rumely to Borah, 18 January 1936, Gannett papers, Cornell University. See also "Fiske Memorandum," 12 September 1935, Rumely Collection, Indiana University; Gannett to Hon. Henry P. Fletcher, Chairman, National Republican Committee, 20 September 1935; Gannett to Rumely, 27 September 1935, and Rumely to Directing Committee, 20 January 1936, DLP; and New York Times, 23 February, 30:3; 27 February, 9:1; and 28 February, 2:3, 1936.

[3]Gannett, Amos Pinchot and William Ziegler, Jr., to friends, 17 March 1936, Rumely Collection. Contributions of $7,052 are listed in "Borah Committee Finance," April 25, 1936, Ibid. The $25,000 figure is mentioned in Gannett to Wood, 20 June 1936, Sexauer papers.

[4]New York Times, March 1, 1:4, 1936.

[5]Though they ignore the role of Gannett and Rumely, two accounts of the Borah campaign are Claudious O. Johnson, Borah of Idaho (Seattle: University of Washington Press, 1967), pp. xiv-xv, 469, 474; and Marian C. McKenna, Borah (Ann Arbor: The University of Michigan Press, 1961), pp. 319-336.

2,000 Republican and 1,900 Democratic delegates and alternates.[6] In April the dairy leader as head of the Monetary Committee journeyed to Topeka to assess Governor Landon's attitude towards monetary and agricultural issues. The Kansan impressed Sexauer with his knowledge of the agricultural industry and though the Governor doubted if monetary management could be achieved "in a sprawling democracy such as ours," the Republican contender "implied a willingness . . . to see the door to managed currency kept open in the platform."[7] At the Cleveland Republican Convention Sexauer presented to the Platform Committee organized agriculture's joint monetary plank. The statement recognized the money question as "one of the most important issues confronting rural life," demanded a monetary authority and urged that commitments to international exchange stabilization be avoided should they place domestic producers at a disadvantage.[8]

The Cleveland convention responded ambivalently to agriculture's monetary demands. Borrowing language from the Democratic plank of 1932,

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[6]Committee activities may be traced in numerous letters and memoranda in the Sexauer and Dairymen's League papers at Cornell. See especially Sexauer to Miller, "A Brief Report of the Activities of Your Monetary Committee," 30 June 1936, 6 pages, Sexauer papers. Committee members were Sexauer, Earl W. Benjamin, General Manager of Pacific Egg Producers' Cooperative, Inc.; Charles G. Henry, General Manager of Mid-South Cotton Growers' Assoc.; Harry Hartke, member of the Executive Committee of National Cooperative Milk Producers' Federation; Carlisle Thorpe, General Manager of California Walnut Growers' Assoc.; and Charles A. Ewing, President of National Livestock Marketing Association.

[7]Sexauer, "Impressions of Governor Landon After Visiting Him in April 1936 As the Chairman of the Monetary Committee of the National Cooperative Council," typewritten, 4 pages, Sexauer papers. See also Rumely to Sexauer, January 20, 1936, Rumely papers.

[8]Sexauer, "Platform Is Born," typewritten speech, June 27, 1936, 8 pages, Sexauer papers.

the GOP announced "We advocate a sound currency to be preserved at all hazards." The platform proclaimed the "first requisite" to such a currency was obtaining a balanced budget, opposing further devaluation, repealing the President's discretionary monetary powers and negotiating international stabilization agreements "as soon as we can do so with regard for our national interest." Significantly, the money plank avoided all mention of the word "gold." Bowing to the Borah agricultural forces, Republican platform makers had deleted a statement promising a return to the gold standard.[9]

Dissatisfied with the labor, money and civil service sections of the platform, Landon submitted "my interpretation" of the three planks in a telegram read to the convention prior to the Governor's nomination. The Landon corollary to the money plank added a "second requisite . . . a currency expressed in terms of gold and convertible into gold." But the Kansan temporized the "second requisite must not be made effective unless it can be done . . . without injury to our producers of agricultural products."[10] The telegram disappointed O'Neal and other farm leaders and "stunned" Borah.[11] Still Joseph Pew, a Republican mogul and member of the Philadelphia Sun Oil family and Landon's platform coordinator, Charles P. Taft, assured monetarists

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[9]The 1936 Platform is printed in Arthur M. Schlesinger, Jr. (ed.), History of American Presidential Elections, 1789-1968, III (New York: Chelsea House Publishers, 1971), p. 2862. See also Donald R. McCoy, Landon of Kansas (Lincoln: University of Nebraska Press, 1966), p. 254.

[10]New York Times, 12 June, 1:8, and 1:2, 1936, and McCoy, Landon, pp. 256-257.

[11]McKenna, Borah, p. 336.

that the Governor's statement was intended as a conciliatory gesture to agricultural stabilizationists.[12]

Democrats assembled at Philadelphia in late June and organized agriculture presented the joint agricultural monetary proposal agreed upon at Cleveland to the Resolutions Committee.[13] But officials in Washington rather than delegates at Philadelphia wrote the 1936 Democratic platform. On June 24, George F. Warren met with Morgenthau at the Capitol and the two reviewed a draft of the proposed money plank. The Cornell professor recorded, "It included statements that our currency was the soundest in the world, that the world was investing here, great gold reserves, etc. At my suggestion he cut all of this out." Instead the Secretary and the professor wrote a statement that described New Deal monetary policy as "an important factor in recovery" and "approved ideas of stabilizing purchasing power in the future." Morgenthau then took the proposition to Roosevelt who "cut out 31 words" and approved it. The exorcised verbiage evidently referred to the role of monetary policy in speeding recovery and the promise of future stabilization. Chagrined, Warren asked Morgenthau "if the President realized what the monetary policy had done." The Secretary responded, "not fully," but that he [Morgenthau] had shown him a speech in which he gave full credit to money and "the President raised no objection."[14]

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[12]Pew to Sexauer, 15 June 1936, Sexauer papers and Taft to Rumely, 23 June 1936, Rumely Collection, Indiana University.

[13]Sexauer to Miller, "Brief Report," p. 5, and AFBF, National Grange, and the NCC to Wagner, June 1936, Sexauer papers.

[14]George F. Warren, Diary, June 24, 1936, Cornell University.

The official version of the Democratic money plank approved both a "sound" and "stabilized" currency, condemned "the former wide vluctuations in value" and asked for "a currency which will permit full utilization of the country's resources." Overcoming Warren's objections, the plank boasted "today we have the soundest currency in the world." Finally, if "gold" plagued Republican platform shapers, "silver" discomfited Democrats who omitted all references to Administration purchases of the white metal.[15]

During the Presidential campaign monetarists continued efforts to convert Landon to managed currency. On several occasions farm spokesmen met with Landon to review the monetarist argument. Evidently the nominee hoped to use the honest dollar advocates to secure the long sought support of Senator Borah. After a New York conference with the candidate Gannett, Rumely and Sexauer separately appealed to the Idahoan to endorse the Landon-Knox ticket. Each of the three reported that Landon intended to interpret the Republican money plank liberally and in line with honest dollar demands if only Borah would openly support the Governor.[16] Regardless of his friends assurances, Borah, believing Landon represented "men with whose views I cannot compromise," declined.[17]

Borah's suspicions of the Landon overture seemed vindicated when Republican orators criticized Roosevelt's "currency tinkering" in

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[15]The 1936 Democratic platform is printed in Schlesinger, (ed.), History of American Presidential Elections, p. 2855.

[16]Rumely to Borah, 13 October 1936 and 14 October 1936, DLP; Gannett to Borah, 13 October 1936, Gannett papers and Sexauer to Borah, 15 October 1936, Sexauer papers.

[17]Borah to Rumely, 14 October 1936, DLP.

a series of campaign speeches during the final weeks of the campaign.[18] October 29 provided the climax of the Landon campaign effort as the Kansan delivered the "No one can be sure" address to an appreciative partisan throng at Madison Square Garden. The speech contrasted the challenger's political creed with the alleged equivocation of the Roosevelt Administration on the principal issues. Regarding the currency issue the Governor intoned, "There can be no confidence when the government creates uncertainty about the value of money."[19]

Regardless of Landon's suggestive hints to New York monetarists, currency reformers generally viewed the Governor as anathema to the honest dollar. Wallaces' Farmer, Progressive Farmer and publications of the American Farm Bureau Federation criticized the Republican monetary stance.[20] Even Gannett's American Agriculturalist characterized the Republican commitment to gold as "a slap in the face to the agriculture of America."[21] By election day probably most honest dollar advocates would have agreed with N. C. Williamson, President of the

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[18]New York Times, 8 October, 18:5; 31 October, 1:6 and 4:3, 1936.

[19]The speech is printed in Schlesinger, (ed.), History of American Presidential Elections, pp. 2894-2899.

[20]"Comments by President Earl C. Smith on Party Planks," Illinois Agricultural Association Record, XIV (July 1936), p. 23; "Money Plank Disappointing," Official News Letter (June 23, 1936), p. 4; O'Neal, "Goodbye! . . . Gold Standard," Nation's Agriculture (September 1936), pp. 1, 11, 12; W. R. Ogg, Acting Secretary, American Farm Bureau Federation, "The Minute Man," mimeographed pamphlet, AFBF, Chicago, September 15, 1936, 13 pages; "Landon to Fight Against Honest Dollar," Wallaces' Farmer, LXI (May 9, 1936), p. 353; "Still Worship the Gold Standard," Progressive Farmer, LI (October 1936), p. 5.

[21]E. R. Eastman, "A Good Way to Lose the Farmer Vote," American Agriculturalist, CXXXIII (September 12, 1936), p. 30.

American Cotton Cooperative Association and a member of Sexauer's Monetary Committee that the Landon campaign offered monetarists "little hope."[22]

If Landon occasionally muddied the monetary waters, Roosevelt walked on them and often in several directions simultaneously. In May 1936, the quasi-official Business Advisory Council to the Department of Commerce, a brainchild of Commerce Secretary Daniel Roper, produced a study entitled "A Permanent Monetary Policy for the United States."[23] General Robert Wood of Sears-Roebuck and James H. Rand, Jr., the principal financiers of the Committee for the Nation, served as chairman and vice-chairman of the Business Advisory Council's monetary subcommittee and, not surprisingly, that group recommended both a managed currency and the establishment of a Federal monetary authority.[24] Secretary Roper, a friend of the commodity dollar, submitted the study to the President on May 4 with the request that it be given the "earliest possible release."[25] On May 11, Roosevelt sent the Roper report to Morgenthau with instructions to "talk it over" with Eccles and Oliphant. The President added, "This is important and I think should

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[22]N. C. Williamson to Sexauer, 12 October 1936, Sexauer papers. Irving Fisher and Former Senator Robert Owen voted for Roosevelt. See Fisher to FDR, 13 January 1937, PPF 431, FDR Library and Owen to Coogan, 15 May 1936, Owen papers, Library of Congress.

[23]Roper to President, 4 May 1936, OF 229, Roosevelt Library. See also Norman Keiser, "Public Responsibility and Federal Advisory Groups: A Case Study," Western Political Quarterly, II (June 1958), pp. 251-264.

[24]Wood to President, July 12, 1935; Wood to McIntyre, 8 May 1936, and McIntyre to Wood, 18 May 1936, OF 229, Roosevelt Library.

[25]Roper to President, 4 May 1936, Ibid.

receive careful study. . . . The objective of a managed currency is, of course, in general line with what we have been doing for three years."[26] If the President seriously considered the time had come for acceptance of the Goldsborough monetary authority, his primary monetary advisor Morgenthau was aghast. Roosevelt's Roper memorandum caught the Treasurer enjoying a weekend at his New York farm and Morgenthau quickly wired a subordinate, "get word to the President that under no circumstances do I want it released until I see the President on Monday--that I consider it absolutely full of dynamite."[27] The opposition of Morgenthau sufficed. The President buried the report and action on a Federal monetary authority was again deferred.

Democrats during the campaign of 1936, forced to defend the New Deal monetary and banking record, appeared more open and flexible on the money question than Republicans. Wallace, in the heart of Warren Country, praised the administration's gold policy at the Oneida County Fair in August and during the campaign both Morgenthau and Attorney General Homer Cummings defended New Deal banking and currency adjustments.[28] At a press conference on October 6, Roosevelt announced that if re-elected he would seek another extension of the President's power to devalue the dollar and manage the stabilization fund. He explained that the primary purpose of the administration's currency

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[26]Roosevelt, "Memorandum for the Secretary of the Treasury," 11 May 1936, Ibid.

[27]Morgenthau, "Memorandum," 15 May 1936, Ibid.

[28]"Wallace Lists Gains From Farm Program in Northeastern Region," Official News Letter (August 18, 1936), p. 2, and New York Times, October 24, 10:2, and October 29, 14:1, 1936.

program was "to retain our domestic values" and the government ought to reserve power over the gold content of the dollar should some "unexpected action on the part of another nation" threaten American price levels.[29] Observers believed the interview indicated the President no longer contemplated implementing an Irving Fisher commodity dollar, but would devalue should international circumstances dictate.[30]

The President officially began his re-election drive on September 29 and throughout the October campaign appearances confidently described America as a better, happier, more prosperous nation than it had been four years earlier. In major addresses at Omaha, Denver, Chicago, and New York City and in several whistle-stop appearances, the campaigner included monetary policy among those programs responsible for a higher, more stable price level that increased equity between creditor and debtor.[31] At the end of the month in the climactic Madison Square Garden retort to Landon, Roosevelt charged that opponents of administration money and banking reform were chiefly interested in protecting monopolies and speculators. "We know now," he warned, "that

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[29] Roosevelt Press Conferences, #323, October 6, 1936, p. 134.

[30] New York Times, 7 October, 1:5; 8 October, 22:2, 1936.

[31] The addresses and a good sample of Roosevelt's extemporaneous remarks are published in Rosenman, The Public Papers and Addresses of Franklin D. Roosevelt, V, p. 383 ff. Those that mention ending deflation, monetary policy, or price stability include: Address at Creston, Iowa, October 10, p. 424; Address at Omaha, Nebraska, October 10, p. 434; Address at Denver, Colorado, October 12, 1936, p. 448; Address at Garden City, Kansas, October 12, p. 454; Address at Florence, Kansas, October 13, p. 464; Address at Chicago, Illinois, October 14, p. 485; Radio address to "Dinners of Business Men Held Throughout the Nation," October 23, 1936, p. 535; Address at Camden, New Jersey, October 19, 1936, pp. 555-556; Address at Brooklyn, New York, October 30, 1936, p. 560.

government by organized money is just as dangerous as Government by organized mob," and he promised, "We will continue our successful efforts to increase . . . purchasing power and keep it constant."[32] Though Roosevelt refused to specify what future monetary techniques might be employed to maintain price stability, the debate over the New Deal monetary record allowed the President to stiffen his posture as the opponent of "economic royalists."

The money question, given fresh impetus with the price collapse of 1937, remained a viable issue during Roosevelt's second term. But if the issue remained, monetarists lost the intelligentsia that led the movement during the first New Deal. In 1937, the Committee for the Nation dissolved into impotency and Warren died on May 24, 1938.

After spending more than $300,000 from 1933 through 1936, the Committee for the Nation found itself impecunious in 1937.[33] Organized agriculture still offered cooperation but claimed it "impractical," to quote O'Neal, to provide financial assistance to the Rand committee.[34] Committee finances became critical in late 1936 and early 1937 when several members including Lessing J. Rosenwald and General Robert Wood of Sears-Roebuck, P. K. Wrigley and Vincent Bendix quit the Rand group. Bendix resigned because of personal financial reverses while the Sears

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[32]"Campaign Address at Madison Square Garden, New York City," October 31, 1936, Ibid., pp. 568, 572.

[33]Rumely to Sexauer, 4 January 1937, DLP and Rumely to Vanderlip, 15 March 1937, Gannett papers.

[34]O'Neal to Rumely, 31 December 1936 and 13 June 1937; Rumely to Miller, 4 December 1937, DLP.

executives lost faith in the efficacy of the Warren elixir.[35] Internal dissension also contributed to the Committee's anemic status. Some complained of Rumely's constant "nagging" for funds and Sexauer concluded that the Indianan was an inept organizer.[36] Shortly before his death Warren, who disliked the Committee's flirtations with Father Coughlin, warned Pearson "to stay away from Rumely."[37]

The demise of the Committee for the Nation probably resulted as much from the introduction of new issues as from inherent weaknesses in the Rumely group. On February 14, 1937, Gannett and Rumely announced the formation of the National Committee to Uphold Constitutional Government.[38] The new organization, though sympathetic to the commodity dollar, professed to see a potential Roosevelt dictatorship as a peril to America and consequently emphasized opposition to the court-packing scheme, wage and hours legislation and the executive reorganization bill. The N.C.U.C.G. attracted many like Louis J. Taber, Frank A. Vanderlip and Amos Pinchot, who had earlier supported the Committee

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[35]Bendix to Rand, 15 February 1937; Rosenwald to Sexauer, 31 October 1936; Rumely to Wood, 4 November 1936, DLP. See also Wood to H. A. Wallace, 20 November 1937 and Wallace to Wood, 26 November 1937, "Currency," Secretary of Agriculture, Record Group 16, National Archives, Washington, D. C. and Wood to Sexauer, 31 May 1938, Sexauer papers and Rumely to Sexauer, 21 June 1939, DLP.

[36]Sexauer, "Program for the Committee for the Nation," 1937, p. 3, DLP.

[37]Pearson interview with the author, 9 June 1968, 201 Worth Street, Ithaca, New York.

[38]Press Release, National Committee to Uphold Constitutional Government, Times-Union Building, Rochester, New York, February 14, 1937, Sexauer papers.

for the Nation and absorbed most of the fund raising and organizational skills of Rumely and Gannett from 1937-1940.[39]

Even the recession of 1937 failed to revive the Committee for the Nation. In October, Rumely, in the name of the Committee, urged the President immediately to revalue the gold dollar from $35 to $41.34. But the Committee's favorite elixir to combat slumping commodity prices brought protest from within. General Robert Wood, who in addition to his Sears duties had become deputy chairman of the Chicago Federal Reserve Bank, publicly disavowed the Committee's telegram to the President, explaining to reporters he thought the organization moribund. The episode forced from Rumely the embarrassed concession that several major contributors had left the Committee.[40]

The Committee for the Nation never enjoyed an official obituary. The New York Times ignored the Rand organization after 1937. Still the Committee sporadically continued to urge monetary reform. On November 10, 1937, the Committee telegraphed Roosevelt, repeating its previous demands for gold devaluation.[41] In January 1938, the Committee hosted a dinner for 90 Congressmen and Senators in Washington, D. C. The dinner featured the British monetarist Sir Charles Morgan-Webb,

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[39]Richard Pollenberg, "The National Committee to Uphold Constitutional Government, 1937-1941," Journal of American History, LII (December 1965), pp. 582-598. Much of the above is repeated and placed in perspective in Pollenberg, Reorganizing Roosevelt's Government: The Controversy Over Executive Reorganization, 1936-1939 (Cambridge, Mass.: Harvard University Press, 1966), 263 pages.

[40]Rumely to Wood, 12 October 1937; Rumely to Rosenwald, 13 October 1937 and Rumely to Sexauer, 18 October 1937, DLP. See also New York Times, 7 October, 2:5, and 10 October, 31:4, 1937.

[41]Committee for the Nation to Roosevelt, 10 November 1937, DLP.

whom the Committee sponsored on a multi-state lecture tour the following spring.[42] Perhaps the last public expression of the Committee came on June 29, 1939, when Sexauer, in the name of the Committee, issued a lengthy press release urging adoption of a federal monetary authority bill.[43] The Committee maintained a listing in the New York City telephone book until 1940, but when economist Herbert Bratter visited the Rand group's 205 East Forty-Second Street address in December 1940, he found no sign of the Committee, only a door marked "Edward A. Rumely, Public Relations Counsel."[44]

While the Committee for the Nation and its business allies cooled towards the monetarist cause, agriculture, burdened with the commodity price collapse of 1937, faithfully if unimaginatively maintained allegiance to monetary reform. During Roosevelt's second administration the major farm organizations telescoped the monetary attitudes each had developed between 1932 and 1935 into annual resolutions and a plethora of pamphlets, petitions, committees and farm journal articles.

During the latter 1930s, the National Farmers Union maintained a stark neo-populist stance on the currency controversy. In 1937, the

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[42]See the guest list for "Committee for the Nation Informal Dinner in Honor of Sir Charles Morgan-Webb at Washington Hotel, Washington, D. C., January 14, 1938," DLP and Rumely Memorandum, 16 January 1938; S. S. McClure to Sexauer, 17 January 1938; Rumely to Wood, 22 January 1938; Sexauer to Wood, 29 January 1938, and "Lecture Engagements of Sir Charles Morgan-Webb as of February 3, 1938," DLP.

[43]Press Release, Committee for the Nation, 29 January 1939, 2 pages, DLP. See also Rumely to Sexauer, 10 January 1940, Sexauer papers, and Rumely "Memorandum," 25 February 1942, and & February 1945,DLP.

[44]Herbert M. Bratter, "The Committee for the Nation: A Case History in Monetary Propaganda," Journal of Political Economy, XLIX (August 1941), p. 555.

Union characterized the money question as the "paramount issue" and predicted "there can never be any substantial reform so long as money and credit are under private control." The Union damned the Federal Reserve as a "money racket" designed to bolster the privileged "money power" and hoped to replace the Wilsonian institution with a government "owned, operated and controlled" central bank.[45] Responding to the recession of 1937, the National Union Farmer, the organization's principal journalistic organ, headlined "Awake America: How Long Will Man Made Depressions Continue? Just As Long As Usury Grabbers Control the Currency."[46] The Union believed the restoration of commodity prices depended upon cost of production legislation, bimetallism and generous issues of fiat currency.[47]

The monetary recommendations of the National Grange also showed no marked change from those issued during the first half of the decade. In 1936, National Master Louis J. Taber defended the honest dollar as "the heart of any policy for the betterment of agriculture," and during

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[45] Official Minutes of the 33rd Annual Convention of the Farmers Educational and Cooperative Union of America, Oklahoma City, Oklahoma, November 16-18, 1937, p. 32.

[46] National Union Farmer, XVI (September 1, 1937), p. 1.

[47] Official Minutes of the 32d Annual Convention of the Farmers Educational and Cooperative Union of America, Des Moines, Iowa, November 17-18, 1936, pp. 37, 40; Ibid., 43rd Annual Convention, Madison, Wisconsin, November 15-17, 1938, pp. 15-17; Ibid., 35th Annual Convention, Omaha, Nebraska, November 20-22, 1939, p. 59; and Ibid., 36th Annual Convention, Denver, Colorado, November 18-20, 1940, p. 65. See also, "The True Story of the Crime of May 18, 1920, As Taken From the 'Manufacturers Record' of February 22, 1933," National Union Farmer, XVI (February 1, 1937), p. 3; "Court Reform or Money Reform," National Union Farmer, XVI (April 15, 1937), p. 3; E. H. Everson, "What Is Our Government's Financial Policy?," National Union Farmer, XVI (May 15, 1937), p. 4; and "The Money Racket," National Union Farmer, XVI (October 1, 1937), pp. 1, 3.

the latter thirties the farm leader routinely endorsed the monetary cause though he joined Gannett's National Committee to Uphold Constitutional Government and the America First Committee.[48] The 1937 Annual Grange Session heard Earl Harding, spokesman for the Committee for the Nation, and appointed a five member special committee to review national money and banking policies. The special committee released its report the following year. The report and Taber's 1938 Presidential Address illustrated that the nation's oldest national farm organization still favored a dollar "reasonably constant in debt-paying and purchasing power," a monetary authority and banking services "suited" to agricultural needs.[49] The Grange continued to endorse stabilization doctrine into the early 1940s.[50]

President O'Neal informed the December 1936 convention of the National Farm Bureau, "Next to production control the biggest issue

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[48]Journal of Proceedings of the Patrons of Husbandry, 70th Annual Session, Columbus, Ohio, November 11-19, 1936, pp. 19, 160. See also Taber to Hon.James Ludlow, 13 October 1937, and Taber to Wood, 15 November 1941, LJT papers.

[49]Journal of Proceedings of the Patrons of Husbandry, 71st Annual Session, November 10-18, 1937, Harrisburg, Pennsylvania, p. 94; "Report of Special Committee on Banking and Monetary Policy," Ibid., 72d Annual Session, November 16-24, 1938, Portland, Oregon, pp. 180, 20, and Address by Earl Harding, November 12, 1937, typewritten 4 pages, DLP; New York Times, 28 November, 1:2, 1938, and 11 December III, 1:3, 1938.

[50]Journal of Proceedings of the Patrons of Husbandry, 73d Annual Session, November 15-23, Peoria, Illinois, p. 22; Ibid., 74th Annual Session, November 1940. Rumely to Taber, 1 November 1939, Sexauer papers; former Oklahoma Senator Robert L. Owen spoke on monetary issues over the Grange Hour, February 15, 1941.

for agriculture is the question of honest money."[51] The sentence summarized the Bureau's attitude toward the money question during Roosevelt's second term. While placing greater emphasis on production controls and the second AAA, the Farm Bureau remained committed to the commodity dollar. Between 1936 and 1940 the Bureau supported the retention of the Presidential prerogatives to devalue the dollar and manage the currency, and the organization included monetary remedies among suggestions for alleviating the price slump of 1937. On June 7, 1937, the Executive Committee of the Bureau called for the establishment of a "scientifically managed currency" through a monetary authority.[52] The December 1937 national convention repeated the organization's frequent endorsement of the commodity dollar, gold repricing and the monetary authority.[53] During June 1938, the Bureau's Board of Directors met at Chicago with three advocates of managed money: Professor Pearson of Cornell, Chester Davis, the new "farmer representative" on the Federal Reserve Board, and Dr. E. A. Goldenwiser, a Federal Reserve statistician. The conference urged the Bureau's Executive Committee to study the money question and prepare a plan for

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[51]"The Annual Address of the President O'Neal to the 18th Annual Convention of the A.F.B.F.," December 9, 1936, Pasadena, California, Farm Bureau pamphlet, p. 8.

[52]"Statement Adopted by Executive Committee of the A.F.B.F.," June 7, 1937, typewritten, 2 pages, DLP; "For An Honest Dollar," Illinois Agricultural Association Record, XV (July 1937), p. 26.

[53]"Resolutions Adopted at A.F.B.F. Convention," Nation's Agriculture (January 1938), p. 6.

legislative action.[54] After further deliberations the Bureau in 1939 asked Congress to create a special committee to study the "problem of fluctuating basic commodity prices" and "to ascertain the effect of money policy on basic commodity price levels."[55] The request eventually resulted in the appointment of a monetary investigation committee under the chairmanship of Senator Robert Wagner of New York.[56] In December 1941, when the reality of war-spurred inflation had replaced fears of deflation, the Bureau proved its fidelity to stabilization theory when it again asked Congress to create a monetary authority to avoid price upheavals and promote the honest dollar.[57]

Northeastern farmers especially remained faithful to monetarist convictions during the latter 1930s. The farmers of Vermont, under the leadership of Arthur H. Packard, President of the Vermont Farm Bureau, sponsored several meetings with Rumely and Earl Harding of the Committee for the Nation during 1938 and 1939.[58] Packard, a friend of Sexauer,

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[54] O'Neal to Rumely, 13 June 1938, and W. R. Ogg to Rumely, 22 June 1938, DLP.

[55] "Resolutions Adopted at AFBF Convention," Nation's Agriculture (January 1939), p. 6 and "21st Annual Convention's Resolutions," Ibid. (January 1940), p. 23.

[56] See S. Res. 125, 76th Cong., 1st Sess., April 17, 1939; O'Neal to Sexauer, 15 June 1939, and Rumely to O'Neal, 7 October 1939, DLP, and New York Times, 16 May, 40:1, 1940.

[57] "Monetary and Credit Policy," Nation's Agriculture (January 1941), p. 20 and "Resolutions Adopted at 23rd A.F.B.F. Convention," Ibid., (January 1942), p. 12. See also H. J. Wigham, "Rise and Fall of the Gold Standard," Nation's Agriculture (February 1937), p. 3, and Chester H. Gray, "Keeping Tab on Washington," Ibid., (April 1937), p. 6 and (April 1938), p. 6.

[58] Rumely to Sexauer, 5 April and 7 April 1938, Packard to Sexauer, 24 November 1937, Sexauer papers.

and the Vermont Farm Bureau closely followed the monetary doctrines emanating from Ithaca. In 1938 the Vermont Farm Bureau petitioned Congress to establish a free market for gold, to revalue gold and to restore 1926 price levels.[59] Among others Vermont monetarists converted Governor George D. Aiken and on March 2, 1939, the state legislature approved a joint resolution petitioning Congress to establish a special committee to investigate the monetary reasons for the "grave disparity that now exists" between agricultural and non-farm prices.[60]

Farm leaders in New York also remained loyal to the efficacy of gold manipulation and monetary stabilization. Sexauer's Dairymen's League approved strong monetary resolutions in 1936, 1938, 1939 and 1940.[61] American Agriculturalist, the section's leading farm journal, the New York Farm Bureau, the New York Grange and the New York State Conference Board of Farm Organizations repeatedly urged upon the state legislature, Congress and the President the necessity of raising the

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[59]Committee for the Nation Press Release, May 12, 1938, typewritten, 2 pages, Sexauer papers. See also Packard to Gannett, 8 May 1939, DLP.

[60]Joint Resolution Number 26, "Relating to Investigation of Monetary System of the United States," and "Statement of Governor Aiken on Signing the Monetary Resolution of the Vermont Legislature," 2 March 1939, Sexauer papers. See also Harding to Aiken, 2 March 1939; Aiken to Harding, 3 March 1939; Sexauer to Aiken, 24 March 1939, and Packard to Glenn Frank, Chairman, National Republican Program Committee, April 1940, Sexauer papers.

[61]Dairymen's League Cooperative Association, Inc., Annual Meeting, Resolution Number Seven, June 1938; Ibid., Resolution Number Five, June 15, 1939, and Ibid., Resolution Number Ten, June 20, 1940, Gannett papers.

price of gold and establishing a national monetary authority.[62] In 1940, the principal New York farm organizations created yet another monetary organization--"The New York Farmers Committee to Bring Back Prices and Buying Power for Agriculture." The committee hoped to influence the monetary plank in the 1940 Republican platform.[63] In January 1940, a questionnaire mailed to 1000 Northeastern farm leaders (258 replies) indicated that 96 per cent agreed Congress ought to stabilize the value of money and that 93 per cent approved the monetary resolutions of the National Grange, the National Farm Bureau and the Cooperative Council.[64] The monetary pedagogy of Professor Warren still influenced Northeastern agriculture.

As the Committee for the Nation suffered increasing impairment, the leadership of the monetarist cause passed to Fred H. Sexauer, Chairman of the Cooperative Council's Monetary Committee. Between 1936

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62 Minutes of the Twenty-First Annual Meeting, New York State Farm Bureau Federation, Syracuse, November 11-12, 1936, pp. 2-3, and Resolution Number Seventeen; Minutes of the Twenty-Second Annual Meeting, NYSFBF, Buffalo, November 17, 1938, p. 4, and "Minutes, Board of Directors Meeting, NYSFBF," August 31, 1938, and September 26, 1938, Gannett papers. Foster to Board of Directors, NYSFBF, 1 April 1937, 26 April 1938 and 8 June 1939, Gannett papers; Foster to Sexauer, 20 August 1938, DLP. See also "Minutes of Executive Committee Meeting, New York State Conference Board of Farm Organizations," Ithaca, 26 September 1938 and "Legislative Program, 1939," New York State Conference Board of Farm Organizations, DLP; and Gannett, "This Is No Time to Lower the Price of Gold," American Agriculturalist, CXXXIV (May 22, 1937), p. 1.

63 Warren Hawley, Vice President, NYSFBF; Harold Stanley, Secretary, New York State Grange, and E. R. Eastman, President, American Agriculturalist, headed the committee. See Sexauer to Hawley, 14 May 1940; Eastman, Hawley and Stanley to Dear Friend, 24 May 1940, and Eastman, Hawley and Stanley to Sexauer, 12 June 1940, Sexauer papers.

64 The two responses were contained in a 13 part questionnaire. See "Report of Survey of Farm Opinion," January 3, 1940, DLP.

and 1941, the dairy leader served a watch-dog role for the honest dollar campaign. He corresponded with dozens of farm leaders regarding the money issue, stimulated monetary memorials to Congress and the President, produced speeches and articles on behalf of the Warren elixir and challenged journalistic attacks on honest dollar ideology.[65] Sexauer also visited with officials of the government and the Federal Reserve--especially former AAA administrator Chester C. Davis. After a series of friendly contacts Davis told Sexauer in September 1938 that while the Reserve agreed with organized agriculture on the necessity of "fair" farm prices and that commodity prices impacted on business activity and employment, the Board, the President and the Treasury no longer believed that gold manipulation effectively stimulated price levels.[66] Sexauer's monetary exertions must have added strain to a man also confronted with considerable crises in the dairy industry.[67] On one occasion Sexauer confided, "I wonder at times whether I'm becoming an absolute nut on this [monetary] proposition."[68]

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[65]Examples of the dozens of such items in the Sexauer papers: Sexauer to Farm Leaders, 18 November 1937, 14 February 1938 and April 1938; Sexauer to Malcolm Muir, 31 August 1938 and Muir to Sexauer, 28 September 1938; Sexauer to Wall Street Journal, 17 July 1939; and "Report of the Monetary Committee of the National Cooperative Council," January 1937.

[66]Sexauer to Davis, 28 January 1937, 1 February 1938, 21 March 1938, 7 April 1938, 13 September 1939, and Davis to Sexauer, 16 January 1937, 27 January 1937, 10 February 1938, and 12 August 1939, Sexauer papers. See also Elliot Thurston to Sexauer, 19 January 1937, Sexauer to Thurston, 26 January 1937, Sexauer to E. S. Foster, 30 September 1938, Sexauer to Morgenthau, 14 January 1937, Wallace to Sexauer, 28 August 1937 and Sexauer to Roosevelt, 6 April 1938, Sexauer papers.

[67]Lowell K. Dyson, "The Milk Strike of 1939 and the Destruction of the Dairy Farmers Union," New York History, LI (October 1970), pp. 523-543.

[68]Sexauer to Lincoln, 31 December 1937, and Sexauer to Dairymen's League Executive Committee, 9 April 1938, Sexauer papers.

Yet such doubts evaporated, replaced with the farm leader's faith that capitalism, individual freedom and a prosperous agriculture were inextricably bound to the money problem.[69]

The boom-bust cycle of 1936-1937--the third since the war--inevitably reactivated congressional interest in stabilization and monetary legislation. In April 1938 the New York Times fretted about would-be Washington monetary magicians and in the spring of 1939 Business Week observed that legislative hoppers "are crawling with money and banking bills."[70] From 1937 until the war diverted attention to other issues, congressmen introduced dozens of money bills and resolutions and filled hundreds of pages of the Congressional Record with inflationist rhetoric.

During the last three years of the decade interest in the monetary remedy approached the intensity the issue generated in 1932 and 1933. Progressive Farmer editor Clarence Poe, concerned with the plight of Southern agriculture and the necessity for inflation wired Roosevelt in February 1938, "I am sure you have decided upon the right medicine. Now please make the dose big enough!"[71] Alabama Senator John H. Bankhead urged the President, "Do what you did in 1933," and

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[69]The best summary of the dairy leader's views is Sexauer, "The Relation of Monetary Policy to Price Levels of Basic Commodities," typewritten address before the American Institute of Cooperation, University of Chicago, August 9, 1939, 39 pages, DLP.

[70]New York Times, 5 April, 20:1, 1938 and Business Week (June 14, 1939), pp. 15-16.

[71]Poe to FDR, 18 February 1938, FDR Library. See also New York Times, 8 February, 1:8, 1938; and Poe to Wallace, 20 November 1937, Record Group 16, Secretary of Agriculture, Archives.

in June 1938 Representative John Rankin of Mississippi organized a dozen colleagues in an effort to block adjournment until "something is done to expand the currency."[72] Summer brought little relief and in the Autumn of 1938 South Carolinian "Cotton Ed" Smith, Chairman of the Senate Agriculture and Forestry Committee, led a delegation of cotton politicians into Secretary Wallace's office to demand higher loan rates for the southern staple and that more money be put into circulation.[73] Inflation pressures continued into 1939. In February the Idaho State Grange pleaded with Roosevelt for an "ADEQUATE supply of the LIFE GIVING <u>something</u> called MONEY to the end that every hungry stomach in America may be filled to the MAXIMUM ability of the American farmer to so supply [sic]."[74] Hard times and constituent interest--especially the attachment of rural America to the issue prompted solons to again review and pose the money question.[75]

The price collapse of 1937 prompted congressional monetarists to renew criticism of the Federal Reserve. Solons added to the list of monetary felonies "The Crime of 1937" and compared with disdain the

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[72]Bankhead to Roosevelt, 7 June 1938, <u>Ibid</u>., and <u>New York Times</u>, 5 June, III, 1:8, 1938 and 9 June, 11:2, 1938.

[73]<u>New York Times</u>, 2 October, 1:2, 1938.

[74]Idaho State Grange Banking and Currency Committee to Roosevelt, 2 February 1939, OF 229, FDR Library. See also Governor Richard Kirman of Nevada to Roosevelt, 6 December 1938, <u>Ibid</u>.

[75]Representative Clifford Hope of Kansas, Thomas F. Ford of California and Senator Elmer Thomas of Oklahoma received dozens of comments from citizens interest in money reform during the latter 1930s. See "Legislative Correspondence, 1937-1938," Hope papers, Kansas State Historical Society, Topeka, Kansas; Thomas papers, University of Oklahoma and Ford to Roosevelt, 11 April 1939, OF 229, FDR Library.

Federal Reserve's alleged mismanagement of monetary policy in 1920, 1929 and 1937. Faultfinding congressmen believed that Reserve and Treasury officials, fearful of inflation, miscalculated when they raised bank reserve requirements and sterilized "excess" gold from monetary stocks in 1936.[76] Several demanded the resignation of Federal Reserve Board Chairman Marriner Eccles.[77] Even the loyal New Dealer Key Pittman complained to Roosevelt that he hoped Morgenthau and Eccles avoided having "another nightmare that there is going to be inflation while twelve million people are idle."[78]

As in previous deflation eras the House appeared sensitive to inflation demands. Speaker William B. Bankhead of Alabama endorsed currency expansion in 1938, the House Banking and Currency Committee investigated a variety of monetary proposals and in 1937, 1939 and 1941 representatives easily extended the Presidential money prerogatives first granted in the Thomas Amendment to the AAA and the Gold Reserve Act.[79] But the House refused independent action and approved only monetary legislation receiving administration sanction. Still the

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[76]See the comments of the following representatives: Binderup, U. S., Congressional Record, 75th Cong., 1st Sess., March 4, 1937, p. 1894, and Ibid., March 19, 1937, pp. 2527-2531; Dorsey, Ibid., August 21, 1937, pp. 9622-23; Patman, Ibid., 75th Cong., 3d Sess., January 19, 1938, pp. 802-804; Rankin, Ibid., May 4, 1938, p. 6241-42; and Senator Elmer Thomas, Ibid., March 31, 1938, p. 4460-69.

[77]Robert Owen to Patman, 19 January 1938 and Representative Finley Gray to Owen, 3 March 1938, Owen papers, Library of Congress.

[78]Pittman to Roosevelt, 23 July 1938, Pittman papers, Library of Congress.

[79]Bankhead to Robert L. Owen, 27 January 1938, Owen papers, Library of Congress.

monetarist cause benefited from the leadership of four Democratic congressmen who believed a show of stamina and an appropriate time and circumstance might win administration approval of the honest dollar. The quartet represented districts with significant agricultural interests and included T. Alan Goldsborough of Maryland, Wright Patman of Texas, Charles E. Binderup of Nebraska and Jerry Voorhis of California.[80]

Goldsborough enjoyed seniority among stabilizationists having served the cause since 1920 and ranked second only to Chairman Steagall on the Banking and Currency Committee. During 1937-1938 the Marylander authored a complicated bill that would have created a Federal Credit Commission and tied currency issue to the potential productive capacity of the nation.[81] Still urging monetary action the Congressman resigned on April 5, 1939 to accept a federal district court judgeship--an

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[80]Other Representatives to introduce monetarist legislation included: Usher L. Burdick, North Dakota, see H. R. 7600, U. S., Congressional Record, 76th Cong., 2d Sess., October 26, 1939, p. 888; Knute Hill, Washington, H. R. 7290, Ibid., 76th Cong., 1st Sess., July 19, 1939, p. 9543; John Hunter, Ohio, H. R. 2387, Ibid., March 21, 1939, p. 3065; John E. Rankin, Mississippi, New York Times, 9 June, 11:2, 1938, and U. S., Congressional Record, 75th Cong., 3d Sess., April 28, 1938, p. 5961 and H. R. 3426, Ibid., 76th Cong., 1st Sess., January 30, 1939, p. 967; Robert Ramsey, West Virginia, H. R. 52, 75th Cong., 1st Sess., January 5, 1937, p. 24; and Brent Spence, Kentucky, H. R. 2542, Ibid., 76th Cong., 1st Sess., January 13, 1939, p. 2542. See also New York Times, 8 February, 1:8, 1938, and 2 October, 1:2, 1938, and Representative Ed V. Izac to Owen, 28 January 1938, Owen papers, Library of Congress.

[81]See H. R. 7188, U. S. Congressional Record, 75th Cong., 1st Sess., March 21, 1937, p. 4943; Ibid., June 8, 1937, pp. 5438-5442; Ibid., Appendix 1729-34; H. R. 10086, Ibid., 75th Cong., 3d Sess., March 30, 1938, p. 4418; H. R. 2181, Ibid., 76th Cong., 1st Sess., January 10, 1939, p. 184 and H. R. 5520, Ibid., April 4, 1939, p. 3826.

appointment that eventually propelled him to national attention as the judicial tamer of John L. Lewis.[82]

During 1937 and 1938, Democrat Representatives Wright Patman of Texas and Charles G. Binderup of Nebraska organized about 150 colleagues into the "House Steering Committee for Monetary Reform." The group held several meetings and agreed the Federal Reserve had failed to curb banking monopoly, had failed to direct monetary policy so as to avoid booms and depressions and that as a consequence the government ought to nationalize the Reserve system and assume exclusive authority over currency issue and monetary policy.[83] While in agreement on the evils of the status quo, the monetary group divided over suggestions for remedial legislation. A majority of monetarist congressmen supported a Patman bill to nationalize the Reserve while a minority insisted on Binderup's more radical and comprehensive proposals.[84]

Wright Patman, co-author of the Patman-Robinson Act and champion of the veteran's bonus cause, skillfully combined antimonopolism

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[82]U. S., Congressional Record, 76th Cong., 1st Sess., April 5, 1939, pp. 3829-3834.

[83]U. S., Congressional Record, 75th Cong., 2d Sess., December 16, 1937, Appendix 491; Ibid., November 17, 1937, Appendix 76; Ibid., November 24, 1937, pp. 362-63; Ibid., 75th Cong., 3d Sess., pp. 801-802.

[84]Horace Jeremiah (Jerry) Voorhis, Confessions of a Congressman (Garden City, New York: Doubleday & Co., Inc., 1948), pp. 164-68. Two nonfarm monetarist groups to support the Patman-Binderup effort were: "Honest Money Founders, Inc.," J. E. Bistor, President, Chicago, Illinois; and the "National Monetary Conference," Andrae B. Nordskog, Chairman, organized at the Northwestern University Law School, November 28-30, 1938, Chicago, Illinois. See Bistor to Owen, 27 May 1937, Owen papers; Bistor to Thomas, 8 June 1937, Thomas papers; Bistor to Roosevelt, 16 February 1938, OF 229, FDR Library and Nordskog to McIntyre, 29 December 1938, OF 229, FDR Library and "Resolutions of the National Monetary Conference," U. S., Congressional Record, 76th Cong., 1st Sess., January 13, 1939, Appendix 124-125.

and reflationism to become the leading neopopulist in the Lower House during the latter 1930s. The Texan believed the New Deal had made substantial progress but had failed to destroy financial monopoly and had yet to recover public control over currency and credit. The congressman favored government issue of noninterest bearing notes rather than interest bearing ones as a means of regaining control over currency expansion and forcing the Federal Reserve banks into a subservient position.[85] In 1937 and 1938 Patman introduced a bill designed to eliminate "private banker domination" of the Reserve System. The bill removed the five banker members of the open-market committee, abolished the Federal Advisory Committee to the Board of Governors, secured for the government the stock of the twelve Federal Reserve banks and required the Board to adopt a mandate to restore the 1926 price level. The bill also granted either House the power to remove any member of the Board of Governors failing to enforce the reflation and stabilization mandate. One hundred sixty representatives, including a majority of the House Steering Committee for Monetary Reform, co-sponsored the Patman bill.[86] The New York Times, with a shudder, speculated on its passage and the Banking and Currency Committee which included Patman as a member held hearings on the measure during March and April 1938.[87]

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[85] U. S., Congressional Record, 75th Cong., 3d Sess., pp. 802-804 and Ibid., 77th Cong., 1st Sess., January 16, 1941, pp. 175-77 and 247-51.

[86] H. R. 5010, U. S. Congressional Record, 75th Cong., 1st Sess., February 23, 1937, p. 1517; H. R. 7230, Ibid., 75th Cong., 2d Sess., November 17, 1937, Appendix 76; Ibid., November 24, 1937, pp. 362-63; Ibid., 75th Cong., 3d Sess., Appendix 1823, 1547, and 1101; Ibid., January 4, 1938, pp. 17-25.

[87] U. S., Congressional Record, 75th Cong., 3d Sess., February 28, 1938, p. 2538 and New York Times, 14 April, 37:1, 1937, and 29 August, III, 1:4, 1937.

Still a frustrated Patman failed to get the bill to the House floor and though reintroduced in subsequent sessions, administration opposition effectively stymied the proposal.[88]

Representative Charles G. Binderup, a dairy farmer from Hastings County, Nebraska, proved an enthusiastic monetarist during his tenure in office from 1935-1939. An advocate of the quantity theory of money, the Nebraskan relied on the intellectual concepts of Irving Fisher and the advice of former Oklahoma Senator Robert L. Owen.[89] A vigorous propagandist for the monetarist cause, Binderup on one occasion placed five charts twenty-five feet by eight feet in the lobby of the Capitol to explain monetarist proposals. During 1937 and 1938 the Westerner published a weekly newsletter entitled, "Uncle Sam's Hospital Chart," which illustrated the monetary origins of 26 American recessions, interviewed government officials and enjoyed at least one cordial private money session with Roosevelt.[90] Defeated in 1938, the congressman organized the "Constitutional Money League of America." During the spring of 1939 the league sponsored a Tuesday morning "congressional

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[88]U. S., Congressional Record, 76th Cong., 1st Sess., H. R. 195, January 3, 1939, p. 28; Ibid., April 3, 1939, pp. 3747-54; Ibid., 76th Cong., 3d Sess., January 25, 1940, pp. 692-95; H. R. 116, 77th Cong., 1st Sess., January 3, 1941, p. 13. Eccles answered Patman's demands in Ibid., Appendix 1342.

[89]Binderup to Owen, 23 June 1937 and 17 January 1938, Owen papers, Library of Congress; Fisher to Roosevelt, 1 February 1938, OF 229, FDR Library; and Binderup to Sexauer, 19 November 1937, Sexauer papers, and U. S., Congressional Record, 75th Cong., 3d Sess., June 3, 1938, p. 8181.

[90]Binderup to Roosevelt, 28 February 1938, OF 229, FDR Library; Binderup to Hope, 1937, Hope papers, Kansas State Historical Society and New York Times, 8 February, 1:8, 1938.

breakfast broadcast" which featured an informal discussion of monetary and banking issues between Binderup and such monetarists as Senators Lynn J. Frazier of North Dakota, Guy M. Gillette of Iowa and George Norris of Nebraska, and Representatives Knute Hill of Washington, Walter Pierce of Oregon and Compton I. White of Idaho. The program also hosted Irving Fisher and Robert Owen. The broadcasts were electrically transcribed and played on 106 radio stations across the nation.[91]

California Democrat Jerry Voorhis continued Binderup's legislative program in the House after 1938. A Phi Beta Kappa Yale graduate, Voorhis proved a diligent but maverick congressman whose advanced reformist stance earned him a place among the "Neo-New Dealers"--those congressmen considered left of the administration.[92] Voorhis cooperated with Fisher, Owen, Sexauer and other monetarists and in March 1938 introduced the "Binderup-Voorhis Monetary Control Bill." The bill summarized two decades of monetary activism. It provided that the government purchase the capital stock of the Federal Reserve banks, and that a new Reserve Board be created with enlarged powers over currency and credit resources. Monies needed for old-age pensions, public works and other recovery efforts would be secured through the issuance of noninterest bearing notes. Monetary expansion would continue until the restoration of full employment or 1926 price levels. The bill also

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[91]Binderup to Roosevelt, 27 March 1939 and Binderup to "Dear Colleague," 27 March 1939, OF 229, FDR Library. Several of the radio programs are reprinted in the Congressional Record. See 75th Cong., 3d Sess., Appendix 1153, 1477, 1488, 1735-36; 1806; 2012, 2087 and Ibid., 76th Cong., 1st Sess., April 19, 1939, p. 4472.

[92]Stanley High, "The Neo-New Dealers," Saturday Evening Post, 209 (May 22, 1937), p. 11.

extended government guaranty to time deposits, and implemented Professor Fisher's "100% Money" scheme. Voorhis believed his bill "the first and fundamental step" necessary for recovery.[93]

The "100% Money" scheme employed in the Binderup-Voorhis bill emanated from an Irving Fisher monograph published in 1935. According to the Yale economist, the fractional reserve system ought to be replaced with one that required that demand deposits be protected one hundred per cent with cash reserves or instantly convertible government bonds. The reform would eliminate the practice of tying currency expansion to increased debt. Fisher explained, "Our national circulating medium is now at the mercy of loan transactions of banks; and our thousands of checking banks are, in effect, so many irresponsible private mints." When combined with a national monetary authority, advocates of "100% Money" believed the scheme would obviate the necessity of branch banking and government insurance of check book deposits, restrict banks to the function of lending and warehousing money and return to the government the monetary function of expanding and contracting money and credit. Given exclusive authority to inflate or deflate the nation's money supply, the government could promote stabilization and restrain booms and depressions.[94]

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[93]H. R. 4931, U. S., Congressional Record, 76th Cong., 1st Sess., March 14, 1939, p. 2722; Ibid., March 10, 1939, pp. 2592-93; New York Times, March 11, 30:2, 1939. See also Voorhis to Roosevelt, 7 February 1938 and 8 July 1939; Roosevelt to Voorhis, 9 March 1938, OF 229, FDR Library and Voorhis to Owen, 30 January 1939, Owen papers, Library of Congress. Voorhis explained the merits of the bill in Confessions of a Congressman, pp. 171-173.

[94]Fisher, 100% Money: Designed to Keep Checking Banks 100% Liquid; to Prevent Inflation and Deflation; Largely to Cure or Prevent Depressions; and to Wipe Out Much of the National Debt (New York: Adelphi Co., 1935), 212 pages.

The Fisher-Binderup-Voorhis proposals received the scrutiny of the administration. After a December 1937 conference between members of his staff and Fisher, Secretary Wallace recommended "100% Money" to Roosevelt, who ordered an administration study of the proposal.[95] But in September 1938 Roosevelt sent a terse note to the Yale professor which without explanation dismissed the plan as "financially unsound."[96] Sometime after Voorhis introduced the monetary bill in March 1939, the Californian secured an audience with Roosevelt, who delighted the congressman when he agreed the time had come to nationalize the Federal Reserve. Roosevelt told Voorhis to inform the Chairmen of the House and Senate Banking and Currency Committees to prepare the necessary legislation. Exhilerated, the congressman left the Oval Office, returned to Capitol Hill where he shared the news with several members of the House Banking and Currency Committee. The Californian's elation lasted but a few hours as General Edwin Watson, an aid to the President, telephoned Voorhis and requested him not to "say anything about what the President told you." Watson explained that after the Voorhis interview the President and Eccles met and decided to refer the matter to others before announcing a final decision.[97] A second approval failed to come. But Voorhis continued to press for monetary reform until

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[95]Fisher to Owen, 26 November 1937, Owen papers, Library of Congress; Mordecai Ezekiel, "Memorandum for the Secretary," 6 December 1937; Fisher to Wallace, 10 December 1937 and Wallace to President, 22 December 1937, Record Group 16, Secretary of Agriculture, National Archives; and Roosevelt to Wallace, 23 December 1937, OF 229, FDR Library.

[96]Roosevelt to Fisher, 12 September 1938, OF 229, FDR Library.

[97]Confessions of a Congressman, pp. 174-177.

his 1946 defeat in a campaign that featured, in part, his unorthodox monetary views and resulted in the initial political victory of Richard M. Nixon.[98]

Elmer Thomas continued to lead Senate inflationists during the latter 1930s.[99] The recession of 1937 and debate over the second AAA provided the Oklahoman further opportunity to demand monetary action. In March 1937, Thomas introduced yet another bill that equated agricultural relief with money reform. The bill established a monetary authority, proposed monetary and stabilization guidelines and granted the government new managerial powers over money and credit so that the stabilization of commodity prices might be achieved.[100] A Thomas-led subcommittee of the Senate Agricultural and Forestry Committee held hearings on the bill in the summer of 1937 and the Senator arranged for the usual parade of farm spokesmen and monetarists to testify on behalf of the bill. At the hearings Thomas released a letter from Roosevelt that expressed "sympathy" for the measure's objectives but that

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[98]See H. R. 8206, U. S., Congressional Record, 76th Cong., 3d Sess., January 30, 1940, p. 814; H. R. 9658, Ibid., May 3, 1940, p. 5509; H. R. 166, Ibid., 77th Cong., 1st Sess., January 3, 1941 and H. J. Res. 30, Ibid., January 3, 1941, p. 21. Regarding the money issue and the 1946 campaign see Paul Bullock, "'Rabbits and Radicals'--Richard Nixon's 1946 Campaign Against Jerry Voorhis," Southern California Quarterly, LV (Fall, 1973), pp. 319-359.

[99]Kentuckian Marvel Mills Logan was the only senator aside from Thomas to sponsor significant stabilization legislation during the latter 1930s. Logan, who died in October 1939, relied on the expertise of former Oklahoma Senator Robert L. Owen. See S. 31 and S. 2606, 76th Cong., 1st Sess., and New York Times, 1 April, 27:2, 1938 and 13 March, 1:3, 1939.

[100]S. 1990, U. S., Congressional Record, 75th Cong., 1st Sess., March 25, 1937, pp. 2744-53; Thomas to R. N. Joseph, 29 February 1937, Thomas papers and New York Times, 11 November, 18:5, 1937.

characterized the proposal as "premature" due to the "complexity of the rapidly shifting international scene."[101] Less gently the Treasury and the Federal Reserve Board firmly opposed the bill.[102]

During the November and December 1937 special congressional session called to consider the farm bill, Thomas stimulated further interest in his March monetary bill. On November 25 the Agricultural and Forestry Committee attached to the report on the Agricultural Adjustment bill of 1937 a Thomas authored addendum endorsing the Oklahoman's stabilization proposal. The Agricultural and Forestry Committee, responsible for adding the Thomas Amendment to the AAA of 1933, still believed that reflation must accompany production control to assure the rehabilitation of American agriculture.[103] Still Thomas and the Agricultural committee allowed the stabilization measure endorsed in the report to be referred to the Banking and Currency Committee where opponents successfully prevented action on the matter.[104]

With the beginning of a new congressional session in January 1938, Thomas made another effort to push the administration towards a reflationary policy. The Westerner introduced Senate Resolution 216 which deplored the "unprecedented drop in basic commodity prices from

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[101]The letter is reproduced in New York Times, 4 August, 6:2, 1937. See Thomas to Bistor, 12 June 1937, Thomas papers and New York Times, 6 July, 31:6, 1937.

[102]Eccles to Senator Smith, 29 July 1937 and Wayne C. Taylor, Acting Secretary of the Treasury, to Smith, 7 August 1937, Legislative Records, S. 1990, Archives, Washington, D. C.

[103]S. 2787, U. S., Congressional Record, 75th Cong., 2d Sess., 26 November 1937, pp. 405-406 and New York Times, 26 November, 1:3, 1937.

[104]Ibid., 1 December 1937, p. 601.

March to December 1937" and declared "the sense of the Senate" to be that the government "adjust the purchasing power of the dollar . . . to attain within the next 12 months the 1926 price level of wholesale commodities, including farm products."[105] To attract the broadest possible support the resolution avoided specifying any particular reflationary technique. Thomas explained to monetarist friends that he once participated in building a country club in which the group bought the land, erected the building, furnished the clubhouse, but engaged in a desparate fight over the color of paint used. Thomas advised monetarists in early 1938 to look beyond details and attempt to commit the administration to the principal of monetary action.[106] Though the Oklahoman's eclectic inflationary approach aroused suspicions among the more doctrinaire Warrenites, the major monetarists groups including the Committee for the Nation, the National Agricultural Conference and the National Cooperative Council endorsed the Thomas Resolution.[107] The National Cooperative Council sponsored a letter writing campaign on behalf of the proposal and the Senate Agricultural and Forestry Committee with but minor revision approved the

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[105]U. S., Congressional Record, 75th Cong., 3d Sess., 7 January 1938, p. 136.

[106]Committee for the Nation, "Confidential Memorandum," January 1938, 4 pages, Sexauer papers.

[107]Rumely to Gannett, 17 November 1937, Sexauer to Rumely, 18 November 1937, DLP; Vanderlip to Thomas, 12 March 1937, Gannett papers; "Uncorrected Minutes of the Annual Assembly of Delegates of the National Cooperative Council," Washington, D. C., January 5-7, 1938, p. 16; Miller to Thomas, 11 January 1938; Thomas to Sexauer, 22 January 1938 and Sexauer to Thomas, 2 February 1938, Sexauer papers; "Resolutions of National Agricultural Conference, June 2, 1938," U. S., Congressional Record, 75th Cong., 3d Sess., 3 June 1938, pp. 8183-8137, and "Farm Chiefs Map Nationwide Drive to Increase Prices," New York Journal American, 6 June, 2:1, 2, 1938.

measure on February 9.[108] Again Thomas appealed directly to the President to support reflation and again Roosevelt expressed sympathy for the Senator's objectives.[109] Roosevelt agreed that "undue fluctuation in the price level" ought to be avoided and that "measures ought to be adopted for the purpose of reversing the existing deflationary trend." Still the President opposed the 1926 mandate as arbitrary, argued that reflation depended upon nonmonetary as well as monetary actions and cautioned that the international situation made it imperative to avoid "any rigid course which might hamper . . . the administration program."[110] Devoid of New Deal support the Thomas Resolution met Senate defeat 29 to 39 when the measure finally came to a vote in June 1939.[111]

Thomas remained the irrepressible inflationist until World War II transformed the issue into an anachronism. In January 1939, the Oklahoman authored another omnibus monetary bill--one that contained at least seven proposals to cheapen the dollar. The bill followed a familiar legislative history. Initially it received a favorable report from the Agricultural and Forestry Committee, only to be referred to

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[108]Robin Hood to Members of the Council, 17 January 1938, Sexauer papers; U. S., Congressional Record, 75th Cong., 3d Sess., 9 February 1938, p. 182; Ibid., 16 February 1938, pp. 2016-2020. Twenty supportive letters are printed in Ibid., pp. 2021-2022.

[109]Thomas to President, 4 March 1938, Thomas papers.

[110]Roosevelt to Thomas, 30 March 1938, FDR Library.

[111]U. S., Congressional Record, 76th Cong., 1st Sess., 26 June 1939, p. 7874.

the Banking and Currency Committee where it suffered oblivion.[112] In June 1939 Thomas joined Senator Patrick A. McCarran of Nevada in an effort to restore the historic agriculture-silverite inflationist bloc. The Thomas-McCarran Amendment provided for issuing $2 billion in new currency, raised the price of domestic silver from 64.64 cents to $1.04 per ounce and directed the Treasury to purchase foreign silver tendered in payment for American farm exports at a premium 25 per cent above the New York price for foreign silver. Though the amendment placed a ceiling on $1.29 on such Treasury purchases, both the silver and agricultural industries expected to benefit from the disguised subsidy. The Thomas-McCarran effort met with administration opposition and failed in part because silverites struck an independent bargain with the administration to raise the price of the white metal to 71.11 cents per ounce.[113] Thomas continued legislative efforts on behalf of money reform until defeated for re-election in 1950. With the coming of the war the Oklahoman replaced demands for inflation with requests that monetary management promote price stabilization.[114] Still the Senator had little hope that price stability would characterize the post-war era.

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[112] S. 1855, U. S., Congressional Record, 76th Cong., 1st Sess., 27 January 1939, pp. 863-979; S. Report 180, Ibid., 20 March 1939, pp. 2928-2932.

[113] New York Times, 16 June, 1:5, 1939; 17 June, 1:6, 1939 and 21 June, 1:4, 1939; "Money Puzzles Congress," Business Week (June 24, 1939), pp. 15-16; U. S., Congressional Record, 76th Cong., 1st Sess., June 15, 1939, pp. 7206-7207.

[114] "Senator Elmer Thomas' Voice and Vote Raised for Monetary Programs," Social Justice (February 19, 1940), p. 1; New York Times, 5 March, 39:1, 1940; and Thomas to McCarran, February 7, 1950, Thomas papers.

In August 1945, after noting the unprecedented accumulation of war debt, the monetarist predicted, "we will never see prices in this country as low again as they are today."[115] The Senator's price theory at last reflected the times.

Compared to the first term, the second Roosevelt Administration cast monetary policy in a less heroic role. Whenever the New Deal resorted to monetary action between 1936 and 1941, it did so aware that the monetary mechanism was but one of several useful instruments necessary to create a prosperous and balanced economy. Roosevelt acknowledged in October 1937, "monetary powers possess no peculiar magic. They are not omnipotent."[116] While monetary measures lost appeal during the latter 1930s, the administration still refused to ease control over the formulation of money and credit policy. Former Senator Robert Owen exaggerated when he claimed the Federal Reserve Board "acted like well behaved children to father Roosevelt," but Eccles made few moves without consulting the administration and Roosevelt continued to boast that he had transferred the control of monetary policy from Wall Street to Washington.[117]

New Dealers continued to believe that proper monetary management contributed to the stability of prices and values. In February 1937, Morgenthau listed eight goals of American monetary policy.

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[115]Thomas to Herman E. Gieske, 1 August 1945, Thomas papers.

[116]New York Times, 2 October, 1:4, 1937. See also Roosevelt to Representative Ford, 11 April 1939, FDR Library.

[117]Owen to Patman, 19 January 1933, Owen papers, Library of Congress; Roosevelt Press Conference #558, June 27, 1939, p. 469.

Each Morgenthau objective referred to the stabilization of price or income relationships either domestically or internationally.[118] During the latter 1930s, Roosevelt, too, frequently expressed the hope that New Deal credit and monetary programs might contribute to "stability within limits" and a balanced economic order.[119] Yet stability remained an elusive abstraction during the second term and the roller-coaster economy of 1937-1940 burdened the New Deal with one of its most frustrating disappointments.

During the latter half of 1936 the administration began to fear that the economy suffered from inflationary and speculative forces. In response, the New Deal sharply reduced government spending for relief and public works and on August 15, 1936 and January 30, 1937, the Board of Governors announced substantial increases in member bank reserve requirements.[120] Meanwhile a large flow of gold imports from war frightened Europe concerned Treasury officials who feared the gold avalanch of 1935 and 1936 might spur undue inflation. On December 21, 1936, Morgenthau announced a gold sterilization program. Under the new policy the Treasury isolated imported gold in an account in the general fund and refused to deposit gold certificates with the Federal Reserve.

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[118] Morgenthau, "Outline of Monetary Developments and Policies of the United States, March 1933 to February 1937," FDR Library.

[119] Roosevelt Press Conference, #366, May 13, 1937, p. 366 and #584, September 29, 1939, p. 201; Roosevelt to Thomas, 4 March 1938, FDR Library and New York Times, 4 August, 6:2, 1937.

[120] Marriner S. Eccles, Beckoning Frontiers: Public and Personal Recollections (New York: Alfred A. Knopf, 1966), pp. 287-291.

Sterilized, the imported gold could not affect the credit base of the nation.[121] In April 1937, the President joined those warning against inflation as he cautioned against price increases in the durable goods industries.[122]

During the winter of 1937-1938 the New Deal replaced inflation concerns with alarm that the economy had again plummeted into recession. In response to the erratic inflation-deflation cycle Roosevelt, on February 15, 1938, released a lengthy statement regarding New Deal price objectives. The work of Secretaries Morgenthau, Wallace and Perkins and Federal Reserve Governor Eccles, the administration price statement admitted "a moderate rise in the general price level is desirable." But the document argued that monopolistic industries and those enjoying administered prices needed less reflation than competitive industries such as agriculture.[123] On the fifth anniversary of the New Deal, Roosevelt attempted to clarify the inconsistencies of the April 1937 warning against inflation and the February 1938 admission that prices were too low. He explained that in both instances "the Old Ship of State was on the same course." When inflation threatened in early 1937, "we put the helm of the ship hard a-starboard to prevent the ship because of the fluctuation of the wind from leaving her course.

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[121] John Morton Blum, From the Morgenthau Diaries: Years of Crisis, 1928-1938 (Boston: Houghton Mifflin Co., 1959), pp. 358-366.

[122] Roosevelt Press Conference #357, April 2, 1937, pp. 239-242.

[123] Ibid., #434, February 15, 1938, pp. 159-162. See also Ibid., #427, January 21, 1938, pp. 111-112.

. . . Last autumn, the wind shifted and . . . we shifted the helm of the ship hard a-port. . . ."[124]

Though the President seemed determined to steer the country towards recovery and stability, his advisors differed over how much economic sail might be needed to do the job. In early 1937 the "fiscalists," including Harry Hopkins and Eccles, urged the Keynesian approach with its emphasis on budgetary deficits as a stimulus to the economy.[125] Morgenthau and Treasury experts advised balancing the budget and a reliance on monetary action. At a February 7, 1938 staff meeting, Morgenthau recalled the Warren gold experiment of 1933 and predicted that if a similar "shot in the arm" were not forthcoming the fiscalists would persuade the President to spend billions.[126] Treasury General Counsel Herman Oliphant, a confidant of Warren's during the 1933 gold experiment, compiled a list of available monetary alternatives for Morgenthau in an April 12 memorandum. The Treasury official suggested the Board of Governors lower reserve requirements and the Treasury desterilize gold. In addition, Oliphant noted the President might desterilize nearly $925 million of silver seigniorage, transfer the $1.8 billion deposited in the stabilization fund to cash, devalue gold another 10 points and issue $3 billion in greenbacks under authority of the 1933 Thomas Amendment. Though Morgenthau pushed the monetary alternative during administration deliberations to the point he threatened

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[124] _Ibid._, #439, March 4, 1938, pp. 208-209.

[125] Eccles, _Beckoning Frontiers_, pp. 294-312.

[126] Blum, _Morgenthau Diaries_, p. 405.

resignation, Roosevelt sided with the fiscalists.[127] On April 14, the President announced the inauguration of massive new spending programs. Still Roosevelt did not ignore monetary incentives altogether. The Treasury partially desterilized gold, the Board of Governors reduced reserve requirements and the administration publicly pursued an easy money policy.[128]

While avoiding the dramatic monetary gesture, the New Deal between 1937 and 1941 jealously maintained the Presidential money prerogatives granted in the Thomas Amendment of 1933 and the Gold Reserve Act of 1934. The administration continued to manage the $2 billion fund created from the gold profit taken from the devaluation of 1934 principally to stabilize international exchange rates. Roosevelt also held in reserve the right to vary the gold content of the dollar between the limits of 50 and 60 per cent of its pre-1933 weight and the right to issue $3 billion in fiat currency. In 1939 when conservatives futilely urged repeal of the $3 billion currency feature Roosevelt defended the measure explaining, "it was a good thing to have a club

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[127]Ibid., pp. 422-425.

[128]New York Times, 15 April, 1:6-8, 1938. The monetary maneuvers of the New Deal are reviewed in Arthur Whipple Crawford, Monetary Management Under the New Deal: The Evolution of a Managed Currency System--Its Problems and Results (Washington, D. C.: American Council on Public Affairs, 1940), 376 pages; James Daniel Paris, Monetary Policies of the United States, 1932-1938 (New York: Columbia University Press, 1938), 198 pages, and Milton Friedman and Anna Jacobson Schwartz, A Monetary History of the United States, 1867-1960 (Princeton: Princeton University Press, 1961), pp. 420-544.

tucked away in the closet sometime."[129] Meanwhile a January 1936 Presidential Proclamation extended Roosevelt's authority to alter the price of gold and the Stabilization Fund for one year. In January 1937 Congress renewed both powers through June 30, 1939.[130]

In early 1939, Roosevelt asked Congress to prolong his ability to change the price of gold and manage the Stabilization Fund from June 30, 1939 to January 15, 1941.[131] In defense of the request the President cited the "international monetary and economic situation" and Secretary Morgenthau testified before a House committee that the money powers served as "a weapon in reserve" and were "as important as a powerful navy" in deterring foreign aggression against the United States.[132] Heeding the administration argument the House on an unrecorded vote on April 21 agreed to extend the money powers to June 30, 1941.[133]

The 1939 effort to renew the presidential money prerogatives ran into difficulty in the Senate where critics of the measure included monetarists, silverites and gold standard conservatives. In succession monetarists sponsored the Thomas-McCarran silver amendment, a Thomas amendment mandating the restoration of 1926 prices, and a Thomas

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[129] Roosevelt Press Conference, #530, March 14, 1939, p. 194.

[130] Crawford, Monetary Management Under the New Deal, pp. 89-94.

[131] New York Times, 20 January, 27:8, 1939.

[132] Ibid., 4 April, 14:6, 1939; and 24 March, 33:8, 1939.

[133] Before the voice vote the House had voted against recommital 225 to 158. See U. S., Congressional Record, 76th Cong., 1st Sess., April 21, 1939, p. 4635.

proposal to release $1½ billion of the Stabilization Fund for general revenue purposes.[134] Impatient with the President, monetarists wanted to replace Roosevelt's discretionary money powers with legislation binding reflationary currency action upon the administration. Still a combination of administration Democrats and hard money Republicans prevented adoption of the inflation amendments and monetarists had little choice but to support a continuance of the President's money prerogatives.[135]

A more serious challenge to the administration attempt to prolong the life of the money powers came from a curious coalition of gold standard Republicans and Western silverites. Republicans, strengthened as a result of victories in the 1938 bi-elections and anticipating the 1940 presidential contest seemed anxious to embarrass Roosevelt, reassert congressional control over money and prepare for a return to the gold standard. Silver Senators simply wanted a greater subsidy for the mining industry. On June 26, the hard-money/soft-money coalition voted to strip the President of the gold devaluation authority but agreed to raise the subsidy on domestic silver 13 cents![136] Eastern

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[134]Ibid., June 15, 1939, pp. 7206-7207; June 26,1939, p. 7868 and June 26, 1939, p. 7881. See also New York Times, 16 June, 1:5 and 17 June, 1:9, 1939.

[135]The Thomas-McCarran Amendment failed to come to a vote. The vote on the restoration of the 1926 price level failed 29-39 and the vote on removing $1½ billion from the Stabilization Fund failed 19-45. See Ibid., June 26, 1939, p. 7874 and p. 7891.

[136]"Congress Threads Money Maze," Business Week (July 1, 1939), p. 14; "Silver and Spite," Nation, 149 (July 8, 1939), p. 31; "Monetary Ghosts," New Republic, 99 (July 12, 1939), pp. 264-265; New York Times, 2 February, 27:5; 23 April, 11:1; 8 June, 23:8; 27 June, 1:7 and 1 July, 1:7, 1939; Committee for the Nation Press Release, June 29, 1939, DLP; and Allen Seymour Everest, Morgenthau, The New Deal and Silver: A Study of Pressure Politics (New York: Columbia University Press, 1950), pp. 70-75.

Republicans and Western silverites once again exchanged votes to achieve individual ends. But the "Silver and Spite" coalition soon disintegrated before a determined Roosevelt counterattack. On June 27, the President informed reporters that devaluation was not at issue, but rather the Republican determination to return American monetary policy to the control of Wall Street. He claimed the odds against the administration devaluing the dollar were at least "10 to 1" and asserted that the only circumstance that would trigger such a move would be if foreign nations "start to take a crack at us the way they did in 1930 and 1931."[137] White House pressure, the loyalty of the Lower House and finally a compromise granting silver senators nearly a six cent an ounce boost in the domestic price of the white metal forced the Senate to reverse itself. On July 5, a 43-39 pro-administration vote extended the Presidential money powers until June 30, 1941.[138]

The President's victory in retaining the inflationary monetary prerogatives soon proved redundant. With the outbreak of the European War, Roosevelt replaced fears of deflation with concern that prices be kept "from going through the roof."[139] In May 1940, the President recalled the "vicious upward spiral" of prices during the World War and warned that price ceilings might be imposed on "wheat, copper, capital

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[137] Roosevelt Press Conference #558, June 27, 1939, pp. 466-473. See also New York Times, 27 June, 22:2; 28 June, 1:6-8 and 2 July, 1:1, 1939.

[138] New York Times, 29 June, 1:8; 30 June, 1:6; 6 July, 1:1; and 7 July, 3:1, 1939.

[139] Roosevelt Press Conference #584, September 19, 1939, p. 201.

and labor."[140] During the same month Roosevelt revived the Advisory Commission of the Council of National Defense and appointed Leon Henderson a stabilization watchdog over the prices of raw materials.[141] Within months the Treasury and Federal Reserve followed the President's lead with anti-inflationary initiatives of their own.[142] Once again the time had come to put the economy "hard a-starboard."

Monetarists, more out of habit than genuine hope, looked to the election of 1940 as another opportunity to press the honest dollar credo. But the European war overshadowed all domestic issues. Though some monetarists urged monetary regulation as a means of preventing wars, the connection seemed obtuse to citizens reading about the Fall of France or the Battle of Britain.[143] Still the monetary events of the 1930s had been sufficiently unsettling that interest in the subject remained keen. Professor Henry Steele Commager reminded students in 1940 of Gladstone's dictum that "the study of the money question was the shortest route to madness." Commager cryptically added that "Anyone who attempts to penetrate the mysteries of the money policy of our government today is inclined to agree with him."[144] The sagacity of Gladstone and Commager appeared vindicated in May when the Senate

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[140] Ibid., #645-A, May 23, 1940, pp. 367-370.

[141] Ibid., #647, May 28, 1940, p. 390; and #647-A, May 30, 1940, p. 397.

[142] John Morton Blum, From the Morgenthau Diaries: Years of Urgency, 1938-1941 (Boston: Houghton Mifflin Co., 1965), pp. 311-318; Eccles, Beckoning Frontiers, pp. 344-368.

[143] New York Times, 13 September, 10:6, 1939.

[144] Henry Steele Commager, "The Money Question," Scholastic XXXVI (February 19, 1940), p. 7.

Banking and Currency Committee inaugurated a major new study of money and credit. The first action of the committee was to invite witnesses to respond to an 83-page questionnaire.[145]

Monetarists began contemplating their role in the 1940 campaign as early as 1938. During the bi-election year the Republican Party created a program committee to compose appropriate GOP policy statements on the principal issues before the country.[146] In June 1938, William Hard, Secretary to the committee, asked Sexauer to present organized agriculture's monetary program to the policy review group.[147] Sexauer, an acquaintance of Hard's and a life-long Republican, declined the invitation but assessed the relationship between agriculture and the two major parties. The dairy leader believed the Democratic Party had proved more responsive to organized agriculture than the GOP. "The opportunities," Sexauer observed, "which were offered to the Republican Party at the last convention and which made no impression on them whatsoever are to quite a degree being seized upon by the present administration. . . ." Rather than try to convert "hard-shall Republicans" the farm leader predicted organized agriculture would continue to work "on a friendly basis with the present administration."[148] Still a Sexauer associate, John Brandt, First Vice President of the

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[145]New York Times, 16 May, 40:1, 1940.

[146]Donald Bruce Johnson, The Republican Party and Wendell Willkie (Urbana: University of Illinois Press, 1960), pp. 22-24.

[147]Hard to Rumely, 8 June 1938, and Rumely to Sexauer, 11 June 1938, Sexauer papers.

[148]Sexauer to Hard, 23 August 1938, Ibid. See also Sexauer to Hard, 7 July 1938, and Hard to Sexauer, 15 July 1938, Ibid.

National Cooperative Milk Producers' Federation, presented the honest dollar argument to the Hard conference and in 1939 Sexauer received a commitment from Kenneth F. Simpson, New York Republican National Committeeman, to oppose a "Simon-pure gold standard" plank in the 1940 platform.[149]

The report of the Republican Program Committee, published in February 1940, substantiated monetarist pessimism regarding the GOP. The document called for terminating the President's discretionary money powers and for a return to a fixed gold standard.[150] In response, Sexauer mailed hundreds of copies of a letter from Vermont Farm Bureau President Arthur H. Packard to the Republican Program Committee which blasted the committee for its monetary stand, argued for reflation, urged gold devaluation and praised managed currency systems.[151] The Packard letter distributed under the sponsorship of the Monetary Committee of the National Conference of Farmer Cooperatives brought Sexauer dozens of letters from cooperative officials from Vermont to California.[152] Collectively the letters urged the Monetary Committee Chairman to continue the fight for the honest dollar and perhaps because of the impending war, expressed strong pessimism about the future of the industry and skepticism regarding the ability of either political party to

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[149]Simpson to Sexauer, 20 July 1933, <u>Ibid</u>.

[150]Johnson, <u>The Republican Party</u>, pp. 41-42.

[151]Packard to Glenn Frank, April 1940. See also Sexauer to Hartke, 25 April 1940, Sexauer papers.

[152]Previously the National Cooperative Council. Ezra Taft Benson served as the organization's new Executive Secretary.

afford agriculture effective relief.[153] As a final effort to convert the Republican Party to monetarism, Sexauer endorsed the candidacy of Frank Gannett for the GOP presidential nomination.

Monetarists hoped the campaign of wealthy up-state New York newspaper publisher Frank Gannett might provide them opportunities similar to the Borah effort of 1936. Few believed Gannett would win the nomination but as Louis J. Taber phrased it, "the speeches Mr. Gannett has been making up and down this nation will probably do as much to give us a sound and constructive [Republican] platform as anything else. . . ."[154] Again monetarists turned to a dark-horse candidate to force compromise upon the shapers of the party platform. A monetarist and a former Director of the Committee for the Nation, Gannett named Edward A. Rumely campaign manager. The Rumely campaign pictured Gannett as "The man who led every defeat of the New Deal," especially the rejection of the court-packing and executive reorganization proposals. As for farm relief, Gannett and Rumely still equated monetary reform with agricultural prosperity and even considered Congressman William Lemke a likely ally.[155] Gannett, publisher of American Agriculturalist, insisted the farm problem "is essentially a

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[153]There are approximately three dozen such letters in the Sexauer papers.

[154]Taber to Rumely, 11 April 1940, Sexauer papers.

[155]Gannett to Rumely, 19 February 1940, Rumely to Sexauer, 19 February 1940; Sexauer to Gannett, 5 April 1940; Babcock to Gannett, 5 April 1940, Sexauer papers. See also Rumely to Gannett, 14 November 1939, DLP. The Gannett papers contain several campaign pamphlets including: "Save Agriculture to Save America," "17 Points to Recovery," and "Your Job in 1940."

price problem" and opposed governmental crop restriction programs. Aside from low interest rates, cooperative buying, cheap transportation and research, the candidate advocated a monetary authority, reflation and stabilization of the dollar.[156] Though he spent a half million dollars in the effort to acquire the nomination and stationed three live elephants outside the Philadelphia Republican convention hall, Gannett received a meager 33 of 1000 delegate votes on the first ballot.[157] Altogether, the elephants caused greater commotion than the publisher from New York.

Regardless of Gannett's disappointing delegate count, the Republican convention rejected the earlier recommendations of the Program Committee for a return to a strict gold standard. The 1940 Republican money plank called for the withdrawal of the President's emergency monetary powers including repeal of the Thomas Amendment of 1933 and the Silver Purchase Act of 1934. Republicans also promised to "take all possible steps to preserve the value of the government's huge holdings of gold and reintroduce gold into circulation."[158] Sexauer described the plank as a "negative victory" for while the statement failed to reflect the program of organized agriculture, the hard money-ites had also been unsuccessful in securing a commitment to a fixed

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[156] New York Times, 6 April, 18:6, 1940. See also Polenberg, Reorganizing Roosevelt's Government, pp. 58-62.

[157] Herbert S. Parmet and Marie B. Hecht, Never Again: A President Runs for a Third Term (New York: Macmillan Co., 1968), pp. 145-159; Johnson, The Republican Party, pp. 95-100.

[158] The platform is printed in Schlesinger, et al., The History of American Presidential Elections, V, pp. 2958-2966.

gold standard. The dairy leader believed the plank sufficiently flexible to allow for a managed currency should such a program gain national acceptance.[159]

Senator Elmer Thomas carried the monetarist banner before the 1940 Democratic platform committee at Chicago. Thomas urged Democrats to endorse stabilization and a "Supreme Court of Money" but the party seemed content with the status quo and repeated much of the language of the 1936 money plank.[160] The Democratic platform again boasted that the New Deal had regulated banking, the stock market and security exchanges on behalf of the public interest, had revived the nation's financial institutions and had provided low interest to ordinary citizens. As for money the Chicago convention asserted, "We have steered a steady course between a bankruptcy-producing deflation and a thrift-destroying inflation so that the dollar is the most stable and sought after currency in the world. . . ."[161]

The money question remained a subterranean issue until the final and surprisingly vituperative two weeks of the 1940 campaign. On October 22 at Chicago Willkie accused "Mr. Third Term Candidate" of committing a host of monetary follies. The Republican nominee contrasted the 1932 Democratic pledge to preserve a sound currency with Roosevelt's subsequent suspension of the gold standard and "that unsound experiment"--the Warren gold scheme. Willkie described the President's

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[159]Sexauer to Bausman, 16 July 1940, Sexauer papers.

[160]New York Times, 6 July, 5:6, 1940.

[161]The platform is printed in Schlesinger, et al., History of American Presidential Elections, V, pp. 2947-2957.

discretionary money powers as putting American monetary policy "on a twenty-four hour basis" and complained that the President "killed the London Economic Conference." In the candidate's opinion, "no act of any government in the world during that period did so much to destroy the hope of democracy in the Old World and give an opportunity for the rise of dictatorships."[162] The following day at the Herald Tribune Forum, the Republican nominee presented a more insidious interpretation of the Roosevelt monetary program. Willkie believed "The identical process which wrecked the liberties of Europe has been going on here in America right before our eyes." The "stealthy concentration of power" under Roosevelt was no better illustrated than in the administration control of money and banking for the effort to dominate national financial policy followed the pattern of "Lenin and other revolutionaries."[163] Willkie continued to link the themes of broken promises, dictatorship and financial folly with New Deal monetary policy at speeches in Akron, Ohio and in the Republican campaign's climactic wind-up address at Madison Square Garden on November 2.[164]

Morgenthau delivered the New Deal response to the Willkie monetary offensive at a press conference on October 24. The Secretary described the American dollar as "the standard of international trade" and accused Willkie of possessing "a memory conveniently short."

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[162] New York Times, 23 October, 16:3, 1940.

[163] Ibid., 24 October, 16:3, 1940.

[164] Ibid., 25 October, 1:1, 1940 and "Speech by Wendell L. Willkie, New York City," November 2, 1940, printed in Schlesinger, et al., History of American Presidential Elections, pp. 2999-3005.

Recalling the deflation of 1932, the bank panic and the absence of profits, Morgenthau credited administration monetary action for stopping deflation and producing a dollar that "has remained extraordinarily stable." Finally, Morgenthau accused Willkie of simply being a front" for his friends in Wall Street" who resented "the fact that monetary control had been . . . placed in the hands of the people of the United States."[165]

Regardless of the emotional outburst that punctuated the last days of the campaign, the money question had but negligible influence on the outcome of the 1940 election and would generally be forgotten amidst the crises of impending war.[166] Though Roosevelt requested and received another extension of the monetary powers in 1941, they became increasingly irrelevant.[167] The coming of war underscored the international nature of economic issues for as the 1944 Bretton Woods Conference indicated, no one nation could solve the money question for itself. In April 1943, the administration asked Congress for a fourth extension of the money powers though Morgenthau conceded the issue was not "a matter of life and death." Congress, as requested, renewed the Stabilization Fund to June 1945. But the Senate, concerned with

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[165] New York Times, 25 October, 7:1, 1940.

[166] Parmet and Hecht, Never Again, pp. 226-227, named voter attitudes towards "interventionism in the war" the key determinate in the campaign.

[167] The 1941 vote on renewal closely followed party lines. The House voted 226-139 and the Senate voted 42-20 to extend the money powers. See U. S., Congressional Record, 77th Cong., 1st Sess., May 27, 1941, p. 4481; and Ibid., June 28, 1941, p. 5644; New York Times, 28 May, 1:1, 1941; 29 June, 1:3 and 1 July, 19:1, 1941; and Blum, Years of Urgency, p. 298.

inflation and fearing that debate over the gold devaluation power might hamper the progress of the $13 billion Second War Loan Drive, unanimously dropped the President's power to alter the gold content of the dollar.[168] When the House and the administration concurred in the Senate action, the gold experiment begun a decade earlier officially came to an end.[169] The Presidential campaign of 1944 virtually ignored the money question. The 1944 Democratic Platform failed to contain a single reference to money and currency and the Republican money plank simply asserted that the President's "unnecessary powers over currency" ought to be repealed.[170] The farm organizations, too caught up in concerns regarding the post-war world, looked to other issues. By the mid-1940s, the money controversy entered an era of quiescence.

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[168] *New York Times*, 2 April, 1:6, 17 April, 1:1, and 20 April, 18:2, 1943.

[169] *Ibid.*, 30 April, 11:3, 1943.

[170] The 1944 Republican Platform is printed in Schlesinger, *et al.*, *History of Presidential Elections*, V, p. 3048.

EPILOGUE

In the 1950s, monetarists reminisced about the attempt to resolve the money question during the Great Depression. At Frank A. Pearson's retirement dinner in 1958, the Cornell professor facetiously dismissed his contributions to the honest dollar cause. Though "Farm Management was my first love," recalled Warren's collaborator, "the grass in the Price Pasture looked greener so I jumped the fence; [but] about all I accomplished was to rip my pants, collect burrs, and get gored by other bulls."[1] The same year the co-author of Gold and Prices confessed, "the power of man to control prices is greatly overrated . . ." and a decade later in an interview with the author Pearson pessimistically concluded that "as for any effect on world economic policy, we [Warren and Pearson] had very little."[2] Still other monetarists like Fred Sexauer and Ed Foster tenaciously clung to the belief in monetary action and revived the gold devaluation elixir during the farm recession of the latter 1950s. Meanwhile the politician and the propagandist, Elmer Thomas and Edward A. Rumely, optimistically recollected that monetarists had saved the country and ended the depression![3]

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[1]Pearson, "This and That," address delivered at Warren Hall, February 24, 1958, Pearson papers.

[2]Pearson to George Burton, 15 January 1958, Ibid. Pearson interview with author, 9 June 1968, Ithaca, New York

[3]Foster to McConnell, 26 June and 30 June 1953, and McConnell to Foster, 29 June 1953, New York State Farm Bureau papers, Cornell. Sexauer interview with author, June 10, 1968, Auburn, New York; Rumely,

The achievements of the honest dollar crusade lie between the good natured cynicism of Pearson and the too serious boasting of Thomas and Rumely. Though much of the farm monetary rhetoric between 1920 and 1941 thoughtlessly reiterated populist inflationist and free silver dogma, the criticism of organized agriculture also hastened the adoption of a managed monetary system. By 1940 agriculture had generally discarded the neo-populism of Tom Heflin and John A. Simpson for the more studied concepts of Congressmen Goldsborough and Strong and Professors Fisher, Commons and Warren. The monetarist coalition of farmer and professor forced the financial and academic worlds to examine the potentialities and responsibilities of monetary management. That investigation and the consequences of the Great Depression led to fundamental changes in American monetary and banking policy. At its most sophisticated level, agriculture's concern for stable money contributed to the demise of the rigid gold standard and such banking reform as FDIC and the creation of a genuine central banking system in 1935.

Both the New Deal and organized agriculture considered monetary and banking policy too significant to remain the exclusive province of financiers. While farm interests provided much of the impetus the New Deal contributed the political leadership that transferred control of monetary and banking policy from Wall Street to Washington. But that transaction contained irony. Though monetarists pushed the Roosevelt

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"How the United States Ended the Great Depression," July 1958, 8 pages, Gannett papers; Thomas, "40 Years a Legislator," typed manuscript, p. 182; and Thomas to Jeannette P. Nichols, 19 April 1950, Thomas papers, University of Oklahoma.

administration towards greater monetary activism, New Deal monetary maneuvers demonstrated the inherent limitations of monetary policy as a sole stabilizer for the economy. Still monetarists participated in a dominate theme of American economic history between the wars--the death of laissez-faire and increased reliance on governmental management whether in the area of monetary and banking policy or elsewhere. Regardless of the controversy surrounding the issue, one lesson seemed clear: the last voice to raise the money question had yet to be heard from.

BIBLIOGRAPHICAL ESSAY

Manuscripts

The most significant collection regarding organized agriculture's involvement in the honest dollar cause is the Dairymen's League Papers (cited as DLP) at Cornell University. The collection of approximately 200 linear feet is divided into the general papers of the organization and the Fred A. Sexauer personal file. The collection contains correspondence between League officials and other monetarists, resolutions, pamphlets and memoranda. The Sexauer file includes hundreds of letters between the man who served as President of the Dairymen's League from 1928-1947 and other inflationists, data regarding the finances and strategy of the Committee for the Nation, minutes and correspondence of the Monetary Committee of the National Cooperative Council and information on Sexauer's role as a monetary lobbyist.

Sexauer also possessed four file drawers of correspondence and printed material at his home in Auburn, New York. The Sexauer private papers included correspondence regarding the various monetary campaigns and a complete set of the National Industrial Conference Board reports commissioned by the Committee for the Nation. These papers have been transferred to Cornell University.

The Chicago General Offices of the American Farm Bureau Federation possess the organization's annual policy resolutions, bound volumes of the Bureau's annual proceedings and a monetary file containing tracts, pamphlets and news releases. The New York State Farm Bureau Papers at Cornell University provide insight into that farm group's zealous support of the Warren program. The collection features the correspondence of monetarist-farm leaders C. R. White, Fred Freestone and Ed Foster, resolutions of the organization and information on the state organization's threat to secede from the American Farm Bureau unless greater emphasis was given the monetary remedy.

The most important papers regarding the monetary efforts of the Farmers Union are those of John A. Simpson who served as president of the organization from 1931-1934. Housed at the University of Oklahoma, the Simpson papers, though relatively sparse (four linear feet), trace the inflationist's correspondence with Roosevelt, Senator Elmer Thomas, Henry Morgenthau, Huey Long and others. The collection contains the farm leader's daily logs which illustrate the extent of Simpson's campaign activities during 1932 and copies of his radio addresses. The Farmers Union national headquarters at Denver, Colorado possess the annual resolutions of the organization for 1933, 1934, 1935, 1937, 1938 and 1939. In addition, they have a 35mm film of the typed convention proceedings for 1921-1940, with two years omitted, 1935 and 1932.

Papers at the Washington, D. C. headquarters of the National Grange relating to that organization's monetary activism are limited to typed aud printed copies of the Journal of Proceedings of the National Grange of the Patrons of Husbandry for each annual session. The papers of National Master Louis J. Taber at Cornell University comprise 29 linear feet and contain resolutions, speeches and memoranda regarding the Grange contribution to the honest dollar effort.

The collection includes correspondence that illustrates Taber's involvement in the Committee for the Nation and the Borah and Gannett campaigns, and pamphlets, newspaper clippings and photographs.

In addition to the activities of organized agriculture, farm politicians played key roles in the battle for monetary reform between 1920 and 1941. The papers of the head of the Senate inflationists in the 1930s, Senator Elmer Thomas of Oklahoma, comprise a massive collection of 508 linear feet at the University of Oklahoma. The collection contains the Senator's correspondence with Roosevelt, Father Coughlin, silverites, bonus advocates, farm inflationists and the Committee for the Nation. Thomas' constituent mail illustrates the grass roots support for the money elixir and the pathetic economic condition of depression-ridden Oklahoma. Unfortunately, the collection fails to contain a detailed account of the negotiations that led the Roosevelt Administration to accept the Thomas Amendment to the AAA. That deficiency is somewhat alleviated in a typed autobiographical essay, "40 Years a Legislator," written in 1954, also at the University of Oklahoma.

The papers of the several farm state senators housed at the Library of Congress, Washington, D. C. add significant detail to the study of the money controversies of the 1920s and 1930s. They include the papers of Idahoan William Borah, Nebraskan George Norris, Oklahoman Robert L. Owen, Texan Tom Connally and silver bloc leader, Nevadan Key Pittman. The Library of Congress also provides access to the papers of Senator Bronson Cutting of New Mexico, Speaker Henry T. Rainey of Illinois, Senator Charles L. McNary of Oregon and Senator Tom Walsh of Montana, each of whom played a part in the monetary struggles of the era.

Unfortunately, the papers of Maryland Congressman Thomas Alan Goldsborough and Kansas Representative James G. Strong have not survived.

The Kansas State Historical Society at Topeka possesses the papers of two of that state's farm bloc politicians: Senator Arthur Capper and Representative Clifford Hope. Though Capper advocated the honest dollar remedy, the Senator's papers contain but sparse information related to monetary themes. The papers of Kansas Congressman Clifford Hope are primarily useful to illustrate that neo-populism still flourished among farmers on the eve of World War II.

Papers pertaining to the activities of monetarist professors include the George F. Warren and Frank A. Pearson collections at Cornell University. The main body of the Warren papers contain little more than speeches, published works and newspaper clippings. The inclusion of the Warren diaries, however, makes the collection invaluable. The diaries are comprised of handwritten and typed loose leaf papers and though spotty are most complete for the years 1933-1935. The diaries report the monetary opinions and conversations of such key New Dealers as James Harvey Rogers, Morgenthau, Tugwell, Wallace and Roosevelt, and comprise a good behind-the-scenes source. The papers of Frank A. Pearson, the junior half of the Warren-Pearson team, contain a greater volume of Warren material than that found in the Warren papers. Pearson collected considerable memorabilia and correspondence for a 1957 essay on his friend and mentor. Among the Pearson papers is a twenty-two page letter to Pearson from Henry A. Wallace explaining the former Secretary's relationship to Warren and the stable money cause.

Other collections at Cornell University that bear upon organized agriculture's drive for the honest dollar include the Howard E. Babcock papers (60 linear feet) and the William I. Myers papers (32 linear feet). The Frank E. Gannett papers at Cornell University contain correspondence relating to that wealthy publisher's role in the 1936 Borah Presidential campaign, the Committee for the Nation, and the Gannett bid for the Republican nomination in 1940.

In addition to the Sexauer papers mentioned earlier, the best source on the Committee for the Nation is the Edward A. Rumely papers at Indiana University. The Rumely collection contains over ninety-five thousand items and offers indispensable testimony regarding the origin and organization of the Committee for the Nation. The Rumely papers include financial data of the Committee and Rumely's almost daily memoranda to the group's Directing Committee. The collection reflects the wide range of Rumely contacts as it contains the Indianan's correspondence with farm leaders, industrialist, business and commercial leaders, politicians and European monetarists. Included in the collection are four three-hole notebooks entitled "The Rumely Autobiography." Written in 1950 and 1951, the autobiography is comprised of typed and handwritten pages and has a section on the origins of the Committee for the Nation. Though the work frequently misspells names and confuses chronology, the Rumely reminiscences provide useful insights into an interesting career.

The Franklin D. Roosevelt Library at Hyde Park, New York possesses voluminous and important papers relating to the New Deal's response to monetary and agricultural issues. The President's Official

File (OF) 229 fills 13 boxes and 5,800 pages of material relating to prices, inflation, gold repricing, the effects of inflation on farmers, credit and monetary matters in general. OF 1, 17, 21, 150, 227, 230, 327, 419, and 5707 also contain pertinent material. The President's Personal File (PPF) includes letters regarding monetary matters from Secretaries Wallace, Eccles, Woodin and Morgenthau and correspondence from such interested parties as Fisher, O'Neal, Moley, Oliphant and various politicians. The President's Secretary's File (PSF) also provides information on the Committee for the Nation, White House monetary conferences and other memoranda related to monetary themes. Although filled with extraneous material, the Morgenthau diaries at Hyde Park reflect the opinion and reporting of a close Roosevelt advisor. The diaries include the "Farm Credit Diary, April 27, 1933-November 16, 1933," which offers an intimate view of the October gold machinations and the Morgenthau diaries which include fifty volumes covering 1933-1936 and fifty-four volumes for 1937.

The National Archives, Washington, D. C., holds the Department of Agriculture Papers and the Agricultural Adjustment Administration Papers. Among the former, the files most pertinent to a study of agricultural monetary activism are: "Agricultural Finance," "Banks," "Cost of Production," "Currency," "Farm Relief," "General Correspondence, 1923-1940," "Inflation," "Money-Money Orders," and "Secretary of Agriculture's Correspondence, 1933." The National Archives also possess the accompanying papers to the Goldsborough and Strong bill hearings.

Published Sources

The U. S., Congressional Record, 66th Cong., 2d Sess., 1920 through 77th Cong., 1st Sess., 1941, provides an inexhaustible potpourri of monetary bills, amendments, committee reports, letters, speeches, and other memoranda relating to the monetary history of the era. Herman E. Kross, (ed.), Documentary History of Banking and Currency in the United States, 4 vols. (New York: Chelsea House Publishers, 1969) provides a convenient collection of the most significant monetary debates, proposals and acts of Congress. Volume four of the Kross work begins with the creation of the Federal Reserve System, includes reprints of the Strong bill of 1926 and the Goldsborough bill of 1932 and reproduces most of the New Deal monetary legislation.

The published record of organized agriculture's response to the money question is documented in the minutes of each group's annual national conventions. See Minutes of the American Farm Bureau Federation, Minutes of the Annual Session of the National Farmers' Educational and Cooperative Union of America, and Journal of Proceedings of the National Grange of the Patrons of Husbandry for the years 1920-1940. In addition to the agenda for each session these documents normally include presidential addresses, references to guest speakers and the text of adopted resolutions.

The most profound examination of American agriculture in the early 1920s is U. S., Congress, House, Joint Commission of Agricultural Inquiry, Report of the Joint Commission of Agricultural Inquiry, pt. 1, "The Agricultural Crisis," pt. 2, "Credit," pt. 3, "Transportation," and pt. 4, "Distribution and Marketing," (issued from December 1921 to

March 1923). Two other efforts to review the status of agriculture during the Harding farm depression include U. S., Congress, Senate, Committee on Agriculture and Forestry, _Stabilizing the Prices of Certain Products: Hearing on S. 2964_, 67th Cong., 2d Sess. (1922) and U. S., Congress, House, Committee on Banking and Currency, _War Finance Corporation: Hearing_, 67th Cong., 2d Sess. (1922). The U. S., Department of Agriculture, _Yearbook_ (Washington, D. C., 1922, 1924, 1934 and 1935), also provides useful insight on the status of agriculture. Appropriate quantitative material is available in U. S., Bureau of the Census, _Historical Statistics of the United States, Colonial Times to 1957_ (Washington, D. C., 1960) and U. S., Department of Labor, Bureau of Labor Statistics, Bulletin 1376, _Wholesale Prices and Indexes, 1960_ (Washington, D. C., 1963).

The House of Representatives began an investigation of stable money proposals well before the issue surfaced in the Senate. For the first Goldsborough bill hearings see U. S., Congress, House, Committee on Banking and Currency, _Stabilization of the Purchasing Power of Money, Hearings on H. R. 11788_, 67th Cong., 4th Sess. (1922). Testimony on the two Strong bills is contained in U. S., Congress, House, Committee on Banking and Currency, _Stabilization: Hearings on H. R. 7895_, pts. 1 and 2, 69th Cong., 1st Sess. (1926 and 1927), and U. S., Congress, Committee on Banking and Currency, _Stabilization: Hearings on H. R. 11806_, 70th Cong., 1st Sess. (1928). The hearings that preceded house adoption of the 1932 Goldsborough bill are U. S., Congress, House, Subcommittee of the Committee on Banking and Currency, _Stabilization of Commodity Prices: Hearings on H. R. 10517_, 72d Cong., 1st Sess. (1932).

Among the more significant Congressional attempts to examine the problem of agricultural relief during the Hoover Administration are U. S., Congress, Senate, Committee on Agriculture and Forestry, _Hearings: Farm Relief Legislation Relative to Establishing a Federal Farm Board_, 71st Cong., 1st Sess. (1929); U. S., Congress, Senate, Committee on Agriculture and Forestry, _Hearings on the Agricultural Situation_, 72d Cong., 1st Sess. (1931); U. S., Congress, House, The Committee on Agriculture, _Hearings on the Program of National Farm Organizations_, 72d Cong., 1st Sess. (1932); U. S., Congress, Senate, Committee on Banking and Currency, _Federal Refinancing of Farm Land Indebtedness: Hearings on S. 1197_, 72d Cong., 2d Sess. (1932 and 1933) and U. S., Congress, Senate, Committee on Agriculture and Forestry, _Agricultural Adjustment Relief Plan: Hearings on H. R. 113991_, 72d Cong., 2d Sess. (1933).

The Senate first wrestled with the stable money issue in U. S., Congress, Senate, Subcommittee of the Committee on Banking and Currency, _Hearings on H. R. 11499_ and _S. 4429_, 72d Cong., 1st Sess. (1932). Within a year the Senate attempted much broader agricultural stabilization with the first AAA. See U. S., Congress, Senate Committee on Agriculture and Forestry, _Hearings on H. R. 3835, An Act to Relieve the Existing National Emergency by Increasing Agricultural Purchasing Power_, 73d Cong., 1st Sess. (1933). The Senate continued to investigate the depressed condition of American agriculture and to seek a monetary remedy. See U. S., Congress, Senate, Committee on Agriculture and Forestry, _Encourage Sale of American Agricultural Surplus Products Abroad; To Provide Payment Therefor in Silver, and To Provide for Purchase of Silver, Report No. 697_, 73d Cong., 2d Sess. (1934).

The testimony that preceded the adoption of the Banking Act of 1935 is included in U. S., Congress, House, Committee on Banking and Currency, Banking Act of 1934, Hearings on H. R. 5357, 74th Cong., 1st Sess. (1935).

Printed sources that reflect the varied activities of the New Deal include Elliott Roosevelt (ed.), F. D. R., His Personal Letters, 1928-1945, 2 Vols. (New York: Duell, Sloan and Pearce, 1950), Edgar B. Nixon (ed.), Franklin D. Roosevelt and Foreign Affairs, 3 Vols. (Cambridge: Belknap Press, 1969) and Samuel I. Rosenman (comp.), The Public Papers and Addresses of Franklin D. Roosevelt: With a Special Introduction and Explanatory Notes by President Roosevelt, 4 Vols. (New York: Random House, 1938). Transcripts of the Press Conferences of President Franklin D. Roosevelt For the Years 1933-1945, 12 Vols. (Hyde Park: Franklin D. Roosevelt Library, 1956-1957) are indexed and provide Roosevelt's official and his "background" and "off-the-record" remarks. Arthur M. Schlesinger, Jr. (ed.), History of American Presidential Elections, 1789-1968, 5 Vols. (New York: Chelsea House Publisher, 1971) reprints party platforms, major campaign addresses and furnishes the statistical results of American presidential contests.

Three interviews made available through the Cornell Program in Oral History contribute to an understanding of the farmer and academician in the debate over managed money: The interview of Edwin G. Nourse by Joseph G. Knapp (1968); the interview of Fred Sexauer by Gould Colman and Leland Spencer (1963 and 1966); and the interview of Ed Foster by Gould Colman (1965). Nourse, an outstanding agricultural economist, recalls his early opposition to the Fisher compensated dollar scheme; Sexauer reminisces about Warren, the Committee for the Nation and organized agriculture's fight for the honest dollar; Foster, Secretary to the New York State Farm Bureau Federation reviews northeastern agriculture's adoration of Warren, its hostility to the AAA, and assesses such personalities as Sexauer, O'Neal, Babcock and Wallace.

Interviews

Interview with Frank A. Pearson, June 9, 1968, Ithaca, New York. Professor Pearson, a spry septuagenarian, provided an opinionated but humerous reminiscence of the gold controversies of the 1930s. His loyalty to Warren remains unshaken.

Interview with Fred A. Sexauer, June 10, 1968, Auburn, New York. Though retired, Sexauer appeared a man of energy and keen intelligence and generously offered the uninhibited use of his papers.

Farm Journals

The editorials, columns and letters printed in farm journals reflect the interest of editors and subscribers in the money question between 1920 and 1941. Five general farm journals, each representing a unique geographical area, proved especially active in promoting the monetarist cause. Wallaces' Farmer (Des Moines) under its editor Henry A. Wallace began introducing farmers to the Fisher compensated dollar as early as 1920 and remained an opponent of the "Jumping Jack Dollar" through the 1930s. Progressive Farmer and Southern Ruralist (Birmingham, Alabama) had been founded in 1886 by Colonel Leonidas L. Polk and had absorbed a dozen other publications to become the South's largest farm journal with over 900,000 subscribers in 1936. During the 1930s the magazine, under the editorship of Clarence Poe, offered profuse editorial support for silver remonetization and the monetarist remedy. American Agriculturalist (New York) was a weekly published by Henry Morgenthau, Jr. until January 1934 when the Secretary of the Treasury sold the magazine to Frank Gannett. The transfer of ownership made little difference in the editorial policy of American Agriculturalist on monetary issues. Both Morgenthau and Gannett admired Warren and generously promoted the professor's gold theories in the columns of the New York farm paper. Yet under Gannett the magazine became more narrowly sectional in its editorial outlook eventually opposing the AAA and NIRA. Prairie Farmer (Chicago, Illinois) joined the monetarist cause in 1930 when its articulate editor Clifford V. Gregory became a convert to the honest dollar cause. In addition to Gregory's column, Prairie Farmer featured clever cartoons which reduced even the money question to humorous anecdotes. Capper's Weekly (Kansas) featured the column of its owner, Kansas Republican Senator Arthur Capper. Capper, a leader of the farm bloc, campaigned for peace, prohibition, direct primaries, easy crddit, banking reform and the honest dollar. Altogether the five journals provided the drive for reflation and stabilization abundant and literate support.

Other farm journals also supported organized agriculture's drive for the honest dollar. Successful Farming (Des Moines) favored the veterans bonus, more abundant rural credits and printed several of Warren's gold articles. Pacific Rural Press (San Francisco) favored easier credit for farmers and published an occasional inflationist essay. The Farmer (St. Paul) and the American Cattle Producer both favored monetary stabilization, and The Cattleman, the organ of the

Texas and Southwestern Cattle Raisers' Association, featured the monetarist arguments of Colonel George Washington Armstrong and C. O. Moser.

Awed at the complexities of monetary issues, many of the farm papers seemed reluctant to express an opinion on the honest dollar controversy. Still the drama of the monetary events of the era could not be ignored. Farm journals reporting at least some of the monetary arguments and events of the period include *American Creamery*, *Breeders' Gazette*, *California Cultivator*, *Country Gentleman*, *Hoard's Dairyman*, *Milk Dealers*, *National Wool Grower*, *New Agricultural Review*, *Rural New Yorker* and *Southwestern Miller*.

Each of the big three farm organizations sponsored at least one official organ to reflect its views and communicate with its membership. The *National Grange Monthly* reported the highlights of the annual conventions, featured the comments of National Master Taber and allowed guest columnists like Warren to present their views to the national membership. The *Oklahoma Union Farmer* and the *National Union Farmer* contained the news and opinion of the National Farmers Union. Both papers reflected the populist prejudices of the national organization and presented monetary issues in a sensationalist context. The American Farm Bureau's *Weekly News Letter* kept members informed on legislative developments and on the benefits of bureau membership. The news letter began publishing every two weeks and changed its name to the *Official News Letter* in August 1932. The monthly *Bureau Farmer* also experienced metamorphosis becoming *Nation's Agriculture* in December 1937. The monthly magazine summarized the annual convention proceedings, presented news of the Bureau's lobbying activities and published articles of general interest. The Illinois Agricultural Association Record was the monthly publication of the powerful Illinois Agricultural Association, a Farm Bureau affiliate. With association president Earl C. Smith playing a prominent role in the hierarchy of the Farm Bureau, the paper provided readers a thorough account of the effort to secure the honest dollar.

Selected Books and Articles

The most definitive monograph on the agricultural depression of 1920-1923 is James H. Shideler, Farm Crisis, 1919-1923 (Berkeley: University of California Press, 1957). The depression is placed in broader chronological framework in Clarence Alton Wiley, Agriculture and the Business Cycle Since 1920: A Study in the Post War Disparity of Prices (Madison: University of Wisconsin, Studies in the Social Sciences and History, No. 15, 1930) and Theodore Saloutos and John D. Hicks, Twentieth Century Populism: Agricultural Discontent in the Middle West, 1900-1939 (Lincoln: University of Nebraska Press, 1951). An incisive lecture series on the boom-bust cycle of 1919-1920 is printed an John D. Hicks, Rehearsal for Disaster (Gainesville: University of Florida Press, 1961). Works that set the farm problem in a broad historical context include Murray R. Benedict, Farm Policies of the United States, 1790-1950: A Study of Their Origins and Development (New York: The Twentieth Century Fund, 1953) and Edward Higbee, Farms and Farmers in an Urban Age (New York: Twentieth Century Fund, 1963).

Accounts of those who participated in the agrarian activism of the Dollar Decade include Arthur Capper's memoir, The Agricultural Bloc

(New York: Harcourt Brace and Co., 1922) and Homer E. Socolofsky's biography, Arthur Capper: Publisher, Politician and Philanthropist (Lawrence: University of Kansas Press, 1962). The colorful lobbying of Farmers' Union President Charles S. Barrett is recounted in his Uncle Reuben in Washington (Washington, D. C., Farmers National Publishing Co., Inc., 1923) and Dale Kramer, The Wild Jackasses, The American Farmer in Revolt (New York: Hasting House Publishers, 1956) relates anecdotes and provides verbal portraits of farm politicians and leaders during the 1920s and 1930s. Gilbert C. Fite, Peter Norbeck: Prairie Statesman (Columbia: University of Missouri Studies, XXII, No. 2, 1948) and LeRoy Ashley, The Spearless Leader: Senator Borah and the Progressive Movement in the 1920s (Urbana: University of Illinois Press, 1972) provide monographs on two important farm state politicians. Reinhard H. Luthin, "Smith Wildman Brookhart of Iowa: Insurgent Agrarian Politician," Agricultural History, XXV (October 1951, pp. 190-192; R. T. Tucker, "Don Tom of Alabama," North American Review, CCXXVI (August 1928), pp. 8, 57; Herlin D. Merritt, "Incredible Heflin," Outlook, CXLVIII (February 1, 1928), p. 173; and William Davenport, "Tom Quixote," Colliers, CLV (August 13, 1930), pp. 566-568, offer information on three important farm leaders of the era. A précis of farm bloc leader William S. Kenyon is John K. Barnes, "The Man Who Runs the Farm Bloc," World's Work, LXV (November 1922), p. 51. A quantitative evaluation of the cohesiveness of the farm bloc is presented in Patrick G. O'Brien, "A Reexamination of the Senate Farm Bloc, 1921-1933," Agricultural History, XLVII (July 1973), pp. 248-263.

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Works that concern the history of the Federal Reserve during the contraction of 1920-1923 include Paul Warburg, The Federal Reserve System: Its Origin and Development, Vol. II (New York: The Macmillan Co., 1930). Warburg, a defender of the Reserve, had been instrumental in the creation of the Wilsonian institution. The memoir of Federal Reserve Board Chairman William Proctor Gould Harding, The Formative Period of the Federal Reserve System: During the World Crisis (Boston: Houghton, Mifflin Co., 1925) also strenuously defends the system from detractors. Two other first person accounts of the early history of the Reserve System are E. A. Goldenweiser, American Monetary Policy (New York: McGraw-Hill Book Co., Inc., 1951) and Russell C. Leffingwell, "Discount Policy of the Federal Reserve Banks," American Economic Review, XI (March 1921), pp. 30-36. Goldenweiser served the Reserve System as an economist and Leffingwell had served as Assistant Secretary of the Treasury under Wilson. A brilliant biography of New York Federal Reserve Bank President Strong is Lester V. Chandler, Benjamin Strong, Central Banker (Washington, D. C.: The Brookings Institution, 1958). Governor Strong developed new techniques of monetary management but opposed the more extreme demands of the monetarists. Arthur S. Link, "The Federal Reserve Policy and the Agricultural Depression of 1920-1921," Agricultural History, XX (July 1946), pp. 166-175, defends the Reserve System by repeating most of the original arguments of W. P. G. Harding and Carter Glass. Among recent interpreters Milton Freedman and Anna Jacobson Schwartz, A Monetary History of the United States, 1867-1960 (Princeton: University of Princeton Press, 1963) is critical of the Reserve System's monetary maneuvers in 1919-1923. A contemporary populist critique of the Federal Reserve is George W. Armstrong, The Crime of '20: The Unpardonable Sin of Frenzied Finance (Dallas: Press of the Venny Co., 1922).

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Situation," American Economic Review, Proceedings Supplement, X (March 1920), pp. 156-175; O. M. W. Sprague, "The Discount Policy of the Federal Reserve Banks," American Economic Review, XI (March 1921), pp. 16-29; Clark Warburton, "Monetary Control Under the Federal Reserve Act," Political Science Quarterly, LXI (December 1946), pp. 505-534; and Anna Youngman, "The Efficacy of Changes in the Discount Rates of the Federal Reserve Banks," American Economic Review, XI (September 1921), pp. 469-470. Monographs that relate to the same subject include W. R. Burgess, The Reserve Banks and the Money Market (New York: Harper, 1927); C. O. Hardy, Credit Policies of the Federal Reserve System (Washington: The Brookings Institution, 1932); Harold Reed, The Development of the Federal Reserve Policy (Boston: Houghton Mifflin Co., 1922) and Winfield W. Riefler, Money Rates and Money Markets in the United States (New York: Harper, 1930).

For information on the election of 1922 see Chester H. Rowell, "Why the Middle West Went Radical," World's Work, LXVI (June 1923), pp. 265-274 and Rowell, "La Follette, Shipstead and the Embattled Farmers," World's Work, LXVI (August 1923), pp. 408-415; "Election by Disgust," The Nation, CXV (November 22, 1922), p. 540; H. M. Hedges, "The Liberal Sweep in the West," The Nation, CXV (November 22, 1922); "The Revolt of November 7," Current Opinion, LXXIII (December 1922), p. 702, and "Why the Voter Voted Discontent," Literary Digest, LXXV (November 25, 1922). Jerry Alvin Neprash, The Brookhart Campaigns in Iowa, 1920-1926: A Study in the Motivation of Political Attitudes (New York: Columbia University Press, 1932) offers quantitiative evidence that rural hard times motivated voters to support more radical candidates. The 1922 Wisconsin campaign is recalled in Belle Case La Follette and Fola La Follete, Robert M. La Follette, Vol. I (New York: Macmillan and Co., 1953) and Robert Littrell examines the monetary views of another "radical in "Henrik Shipstead," New Republic, XXXIII (January 3, 1923), pp. 146-147. Reporter Mark Sullivan, examines the temper of the Middle West in "The Corn Belt From a Car Window," World's Work, LXV (November 1922), p. 219 and Robert K. Murray, The Harding Era: Warren G. Harding and His Administration (Minneapolis: University of Minnesota Press, 1969) places the election and agricultural issues within the context of the Harding Administration.

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and George F. Warren, "The Origin and Development of Farm Economics in the United States," Journal of Farm Economics, XIV (January 1932), pp. 2-9. Both Joseph Dorfman, The Economic Mind in American Civilization: 1918-1933, IV (New York: The Viking Press, 1959) and Henry Charles and Anne DeWees Taylor, The Story of Agricultural Economics in the United States, 1840-1932 (Ames: The Iowa State College Press, 1952) place the discipline in its historical context.

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Professor John Rogers Commons contributions to stabilization primarily concern his involvement in the Strong bills. See Commons, Myself (New York: The Macmillan Co., 1934); Commons, "Farm Prices and the Value of Gold," North American Review, CCXXV (January-February 1928), pp. 196-211; Commons, "Price Stabilization and the Federal Reserve System," The Annalist, XXIX (April 1, 1927), pp. 459-462; and Commons, "Stabilization of Prices and Business," American Economic Review, XV (March 1925), pp. 43-52. The best monograph is Lafayette G. Harter, Jr., John R. Commons: His Assault on Laissez-faire (Corvallis: Oregon State University Press, 1962). A good summary of the principal arguments regarding the desirability of stabilization is contained in Charles O. Hardy, Credit Policies of the Federal Reserve System (Washington, D. C.: The Brookings Institution, 1932). Also consult "Stabilization of Prices and the Farmer's Income: The Need for Control of the Farm Supply," The Annals of the American Academy, CXLII (March 1929), pp. 158-169; Arthur F. Burns, "The Quantity Theory and Price Stabilization," The American Economic Review, XIX (December 1929), pp. 561-79; Lionel D. Edie, "The 1928 Hearings on the Strong Bill," Journal of Political Economy, XXXVII (June 1929), pp. 340-54; and

M. K. Graham, "The Strong Bill," Southwestern Political and Social Science Quarterly, X (March 1930), pp. 401-408.

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