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Decline of a Presidency: Woodrow Wilson and the Inflation Issue, 1919-1920.

John J. Hanrahan
Department of History
Morehead State University
Morehead, Ky. 40351

The Democrats lost the 1920 presidential election, historians agree, as a result of the cumulative effect of the resentments directed against President Woodrow Wilson by progressives, farmers, and workers, the coalition that had kept him in the White House in 1916.[1] Wilson paid this price of political damage to his presidency and his party by giving priority to world affairs at the expense of domestic problems. Americans came to see the President as a remote figure, absent at the Versailles peace conference the first six months of 1919, preoccupied upon his return with the treaty ratification struggle, and shielded in the White House for months following his October stroke. The President's aloofness from his own advisers and his fierce partisanship gave Republicans the chance to portray his administration as inept one-man government. They convinced voters that Wilson was responsible for the social and economic upheaval growing out of the postwar readjustment process. The Republicans returned to power on the back of the anti-Wilson feeling that they helped create. A caption of a contemporary New York World cartoon, "The GOP washed in by the waves of 'National Discontent'," captured the heart of the Democratic defeat.[2]

A major cause in the revulsion against Wilsonianism that was strikingly manifested in the 1920 election was the President's failure to deal with inflation effectively, a factor that has not been given sufficient weight in existing works on the immediate past. The effect of the European war from 1914 to 1916 on the American cost of living was a comparatively mild 14 percent. America's war years, however, saw inflation zoom 39 percent in 1917 and 24 percent in 1918.[3] Policies of the Treasury and the Food Administration were responsible for this devastating price surge. The Treasury's decision to finance war costs by loans rather than taxes was an important contributing factor for monetary expansion and consequent inflation. The Food Administration policy of guaranteed prices well above prewar levels on wheat, hogs, and sugar demonstrated that production not inflation was the agency's first concern.[4] Treasury Secretary William McAdoo and Food Administrator Herbert Hoover relied on voluntarism, exhortation, and encouragement of private thrift and conservation instead of higher taxes and the stringent price controls available in the Lever Food Control Act. The government did not take into consideration the problems which their finance methods would raise after the war.[5] After the Armistice, in order to meet large scale expenditures and to sell bonds to finance the federal deficit, the Treasury was compelled to maintain its easy-money policy during most of 1919.[6] The resulting price upturn continued virtually without interruption until prewar prices had doubled by June 1920. Inflation, the High Cost of Living or more familiarly HCL, was the major domestic issue in 1919-1920.

Wilson's coalition, fragile at best, had begun to unravel when the basis for special interest orientation developed during and because of the government's mobilization policies of 1917-1918. Progressives in large part had misgivings when Wilson took the nation into war and disappointments with his abandonment of civil liberties. Normally Republican midwest wheat farmers, enticed into the coalition by the Farm Loan Act of 1916, gathered a number of grievances against administration price control policies. While business profits and cotton prices were free of controls, wheat was held at $2.20 a bushel. Wilson's decision to veto a twenty cent increase accounted for their defection from the Democrats in the November 1918 Congressional elections. Urban workers, on their part, were unable to identify their interests with a Democratic party controlled by rural southerners. Also, despite Wilson's support of wage increases and creation of the War Labor Board, the largest number of strikes in history expressed labor's discontent with the government's stand on unions and wages.[7] The High Cost of Living, touching the welfare of every American, accelerated this disintegration of the Wilson coalition and, at the same time, heightened the movement toward the special interest politics of postwar America.

In the six months of a vacant White House, December 5, 1918, to July 8, 1919, executive department heads were left to devise their own responses to HCL agitation by a President who, defending his lengthy presence in Europe and his reluctance to take deflationary action, contended that no economic recovery was possible without world peace, and, in any case, prices probably would permanently stabilize close to postwar levels. Often more contentious than cooperative, departments and agencies generally worked at cross-purposes that confused and angered businessmen, farmers, and workers. Most notable in this regard was a Commerce-Treasury plan, the Industrial Board, approved by Wilson on February 13, to fix prices by government-industry agreement that broke-up in acrimonious exchange between Secretaries William Redfield and Carter Glass, the latter dismayed at Redfield's attempt at antitrust liberalization.[8] Farmer and worker spokesmen, upset by the absence of representation on the business-dominated Board, perceived threats to their welfare when the Board promised to lower food prices and wages. "The longer government people fool with prices." complained Wallace's Farmer, "the worse off we will be."[9] The executive committee of the American Federation of Labor made its position clear; they would fight any attempt at wage reduction.[10] Recognizing the political liabilities, Joe Tumulty, the President's eyes and ears in Washington, told Redfield "to ring down the curtain on this performance because the audience is getting awfully sick."[11] At Tumulty's insistence, Wilson dissolved the Board on May 8. No longer on speaking terms with Redfield, Glass turned on Agriculture Secretary David Houston insisting that his "buy now" campaign was undercutting the Treasury's bond sales efforts.[12] Republicans were quick to criticize the administration, complaining on one occasion that the War Departments's delays in distributing surplus food stocks was a typical blunder of an inefficient administration, and on another, joining consumer complaints that the government's food relief program should pay attention to the dangers of famine and anarchy, not in Europe, but in America.[13] Turning on its critics, the administration substituted scapegoats for policy. The cause of inflation, claimed government officials, was the hoarding and profiteering of selfish businessmen and farmers, the excessive wage demands of disloyal workers, and the wasteful buying of extravagant consumers. America was to be badly governed in Wilson's last two years in office.

More significant for its long-term corrosive effect on the Wilson coalition's anxiety about HCL was the President's request of Congress on January 24 for a billion dollar budget to enable the Grain Corporation to manage the wheat export market until June 1, 1920, the expiration date of the government agreement to buy wheat at $2.26 a bushel. The entire fabric of the domestic economy Herbert Hoover, the bill's author, had persuaded the President, depended upon using the appropriation to enable the Grain Corporation to buy wheat at the guaranty price. Without government control, according to Hoover, with a hungry world bidding in the American wheat market, stocks would be overdrawn, leaving the country facing shortages in the spring of 1919. If that occurred, "We shall have an era of high prices, of profiteering and speculation , such as we have never experienced," he warned Wilson.[14]

The Treasury had fought the President's support of Hoover's proposals from their inception in late October 1918. Determined to maintain the Department's wartime domination of monetary and fiscal policy, Secretary

McAdoo has pressed Wilson to accept Treasury leadership.[15] Carter Glass, his successor on December 16, advocated limited loans to the Allies for wheat purchases, and a commitment to free trade principles. Contradicting

Hoover's prediction of a world wheat shortage, Glass foresaw the addition of abundant Cánadián, Australian, and Argentine wheat to a bumper 1919 American wheat Harvest depressing the world wheat price far below Hoover's "artificial" prices. Freed from government intervention, tumbling wheat prices would trigger the deflation of all food and industrial prices. To protect farmers from loss, the Secretary recommended direct compensation to them from the billion dollar appropriation.[16] Hoover, Glass suspected was exaggerating the Bolshevist threat and overstating Europe's plight to impress the President with the high importance of his role as Relief Director.[17]

The President, back in the country on February 24, used his presence to move the wheat bill into law four days later.[18] The decision on whether the billion dollar appropriation be used to hold wheat at the guaranty

or pay farmers directly was now Wilson's to make. Again Hoover and Glass clashed. In a memo from Paris, Hoover reminded Wilson of the importance of a controlled price policy both to the European relief program and the American economy. He dismissed Glass's direct compensation idea as impractical; Congress, he claimed, would not have time to make an orderly disbursement to fifteen million farmers before the country would be overtaken by a "most disastrous financial collapse."[19] Glass met with Wilson on February 26 to press his case. Direct compensation, he maintained, would satisfy the government's moral obligation to farmers and the consequent cost of living reduction its moral obligation to consumers. "In time of serious and growing unemployment, of grave social unrest, and of definite and avowed attempts at social revoluation," he told the President, "to maintain now...by deliberate act of government an unnecessarily high price on food was an injustice to our people."[20] No doubt taken back by the vehemence of Glass's statement, Wilson left for Europe on March 5 without a decision on wheat.

During the weeks following Wilson's return to Versailles, HCL developed into a burning national issue. Retail food prices rose ~~ten~~ 10 percent in March and April. Postwar inflationary forces were at work. With pent-up war profits and savings, business and consumer demand for capital and durable goods, along with foreign demand for American manufactures, expanded more rapidly than production. A "demand-pull" type of inflationary process was at work.[21] To the man-in-the-street, whatever the economist's explanation, "Everything is going up-food, rent, clothing, taxes. No wonder people on fixed incomes are suffering."[22] The White House was deluged with petitions for relief from the National Consumers League, the National Housewives League, the Women's Civic Federation, the General Federation of Women's Clubs. The League of Women Voters threatened Congressmen who did not vote for legislation to check food prices with loss of the League's endorsement. The New York State legislature wanted a National Food Commissioner, and Wisconsin politicians a Federal Food Committee.[23] Government action not explanation was the consumers' cry across the country.

Wilson's decision when it came on April 16 authorizing the Grain Corporation to use the billion dollar fund to buy wheat at the guaranty damaged extensively his relations with his constituency. Wilson decided, for one thing, that a regulated market ensured success for the food relief program. In addition, possible collapse of the midwestern agricultural complex of farmers, grain traders, millers, and bankers, he concluded, was a danger to the country that outweighed the hardships that inflation might cause consumers.[24] Much of the bitterness this decision caused Wilson can be attributed to his association with Hoover. Envied for his rapid rise to power during the war, the ambitious Hoover had created many enemies in both parties. In a postwar environment envenomed by suspicion and slander of men in public life, Hoover's integrity was attacked. Two frequent charges were that he had turned the Food Adminstration over to a grain trade clique, and that he had suppressed an FTC report of meat packer greed.[25] A move was made in Congress to have the Red Cross adminster food relief, while Secretary Glass led opposition within the administration to block the appointment of Julius Barnes, a Hoover man, to head the Grain Corporation.[26]

The administration's wheat guaranty policy, the work of Wilson and Hoover, was identified in the public mind as the principal cause of inflation. At its national convention in April, the president of the National Association of Manufacturers asserted: "The cost of living is hung on the peg of $2.26 wheat." He cited a questionnaire of 4,400 NAM members who agreed that "high prices were due to government decree."[27] Labor was of the same mind. Under pressure from local councils, the AFL executive committee decided at its convention in June to call for an end to "government intervention to control prices."[28] The actions of wheat farmers added to the public belief that the administration had acted unwisely. During March and April, when prices had climbed as Grain Corporation sales reduced the wheat surplus, farmers added to inflation pressures by withholding wheat from market, expecting to sell later at a crest price.[29] A business journal saw a lesson for the country, "The unfortunate pledge already given to agriculture should be a warning," according to the *Financial and Commercial Chronicle*," of the ungrateful response the country should expect from any economic group receiving special privileges from the government."[30] Sensitive to the political harm of these developments, Joe Tumulty cabled his concerns to the President on May 12. "The issue of HCL acute. Wheat is the keystone in the arch of high prices!"[31]

While the guaranty, it was widely believed was considered a major inflation factor, strikes and the meat packers were also thought to be HCL props. Strike seemed endemic in America in 1919; four million workers had walked off their jobs; the entire Boston police force struck in September. Not only were these radical-led unions pushing up the cost of living with exhorbitant wage demands, but so was the meat packer monopoly, the "Food Trust". "Is the day approaching," the New York Times asked, "when people must eat out of the hands of the Chicago packers, or starve?"[32] Again with his ear to the ground, Tumulty on June 30 urged Wison to move the government against the packers.[33] Public unrest over high prices mounted; the President was the target. A farm journal claimed: "The subject most talked about in the United States today is not war, not the League of Nations, not who will be next president. It is prices."[34] On June 27, Massachusetts legislators cabled Wilson: The citizens of the United States want you home to reduce the high cost of living which we consider far more important than the League of Nations."[35] Republicans began asking why the government was failing to enforce the anti-profiteering sections of the Lever Act.[36] On July 8, treaty in hand, the President returned to Washington to find the nation alarmed to the point of hysteria over the surging rise of consumer prices. Continued inaction on the HCL issue, the President knew, was political dynamite.

Deciding to take Tumulty's advice, the President initiated action against the packers. On July 11, he released a Federal Trade Commission report that "described"an approach of packer domination on all important foods in the country."[37] On Wilson's orders, the Attorney General, A. Mitchell Palmer, on August 5, instructed District Attorneys to enforce rigidly the penal sections of the Lever Act as part of "a country-wide campaign against hoarders and profiteers."[38] The next day the antitrust division filed suit against the packers for unlawful restraint of trade.[39]

In responding to an issue he had pushed aside for months, Wilson may have not gone beyond these actions if it had not been brought home to him that the HCL controversy was endangering support for the treaty. Public resentment about government inattention to HCL, his Cabinet told him on July 28, was being transferred to ratification of the treaty.[40] The next day, Homer Cummings, National Chairman of the Democratic party, reported to Tumulty the results of his survey of Midwest and Pacific coast political attitudes. "The people were far more concerned with the increase in the cost of living than in the debate in the Senate over the League. "For Wilson to delay action against HCL would jeopardize the treaty," the chairman warned.[41] William McAdoo agreed. "The people here are more concerned with domestic questions than the League Covenant," he told Wilson. "The high cost of living, taxation, the railroad issue and the general unrest are occupying the thoughts of everybody to a much greater degree than international problems."[42]

In his report, Cummings, as chief political strategist, went beyond the fate of treaty to the fate of the party. The 1920 presidential race was on his mind. He had taken seriously the earlier remark of his Republican counterpart, Will Hays, that the HCL crisis was an opportunity to alienate workers and farmers from their 1916 Democratic allegiance.[43] Cummings saw it happening, he had told Tumulty on July 14, not by Republican action but Democratic inaction. Farmers were convinced, he said, that the adminstration was not protecting their interests.[44] Two weeks later he repeated this warning to the President: labor and farm groups were becoming increasingly disenchanted with the Democratic party leadership.[45] He, as did others, advised Wilson, to act before the Republicans seized the issue.[46]

These pressures forced the President to pay full attention to HCL. In a rush of events, he reviewed the wheat market with Wheat Director Barnes on July 30 who assured him that the Grain Corporation could hold the guaranty and at the same time feed Europe.[47] Later that day Railroad Administrator Walker Hines and Head of the Brotherhood of Locomotive Engineers Warren Stone were in the Oval Office to discuss government reaction to the decision of the Railway Wage Board on July 11 not to sanction pay raises. The unions had threatened a nation-wide rail strike unless the government granted their wage demands. To head off a strike, Hines and Stone proposed to Wilson that, in return for a 90-day no-strike pledge from the unions, the President commit the government to stem inflation within that time.[48] Wilson's agreeement tied solution of the railroad wage question to the success of the HCL campaign. The next day, the President ordered Attorney General Mitchell Palmer to organize an anti-inflation campaign.[49] At a meeting of executive department officials that afternoon in Palmer's office, Hines, Leffingwell, and William Colver, chairman of the Federal Trade Commission, agreed to draw up a plan.[50] On August 1, Wilson announced to his Cabinet "a comprehensive program attacking the high cost of living all along the line by way of the law of enforcement and the law of suggestion" was underway.[51] The "Committee of Three" recommendations were that the Justice Department and the Federal Trade Commission work in tandem to halt profiteering, and that the wheat guaranty be abandoned.[52] Anticipating Tumulty and Leffingwell lobbying of Wilson, Barnes met twice with the President, and Hoover sent him two cables. Europe is being fed and the wheat market is strong was the essence of their argument.[53]

Utilizing a parliamentary device, the joint session, that had frequently filled his need for political theatre since his days as New Jersey governor, Wilson stood before both houses of Congress for the last time on August 8 to dramatize his HCL campaign. First announcing that the wheat guaranty objectives were being met, he went on to describe hoarding and profiteering as the major causes of inflation. Wilson promised action; the Justice Department was initiating antitrust prosecution against the meat packers; the Federal Trade Commission was investigating price fixing in the food and clothing industries. He asked for emergency powers under the Lever Food Control Act, funds for additional Justice Department personnel, and authority to supervise the business community in order to prevent hoarding and speculation. Wilson tied the HCL issue to treaty ratification. HCL was rooted in unsettled world affairs, he claimed: "There can be no settled conditions here or elsewhere until the treaty of peace is out of the way...."[54]

Wilson's pledge did not pacify his railroad employees. On August 27, the union brotherhoods, voted to strike. Palmer urged Wilson not to back down. "Concessions," said Palmer, "would utterly crush the campaign."[55] In his Labor Day message, Wilson promised wage adjustments for railroad workers if the campaign against inflation failed.[56] For the administration, the quarrel with its own employees was an embarrassment as well as a source of estrangement with the labor movement. The International Ladies Garment Workers asked: "How can one advise workers to wait in the dim hope that HCL will come down? Who can say that high prices are at their peak?"[57] But Wilson had put the issue behind him. Again absorbed in the treaty, he commenced his Western tour for treaty ratification on September 3. His reference to inflation at St. Paul was his only public statement on the inflation issue for the remainder of 1919. The HCL campaign was now in hands of Attorney General Palmer.

Palmer applied to the campaign what the President had called "the law of enforcement and the law of suggestion," that is, the coercive powers of the Lever Act and the organized propaganda techniques to arouse emotion against profiteers that the Treasury and the Food Administration had used during the war to sell bonds and conserve food. Like McAdoo and Hoover, Palmer attempted to promote voluntary cooperation through the ballyhoo of noisy demonstrations and appeals to patriotism.[58] But the Attorney General went to excess. That September he was organizing his anti-Red drive and used the same doomsday tone in the HCL campaign that he used in pledging to rid the country of Bolshevists. The two campaigns had the same objective, he declared, namely, to check every menace to American institutions "because both Bolshevism and HCL were dangers to the national interest." If the HCL campaign were not won, he warned, then "when the scant dark days of winter come...we will see starvation walk the streets of our cities and hand in hand with starvation will come another menace of which I need not speak."[59] Both campaigns shared Palmer's proclivities for raids, use of violence, and restrictions on free speech.

Palmer also used the government's coercive powers to a greater degree than the Food Administration had during the war. He appointed Howard Figg, a Kansas lawyer, to head the HCL division with orders to cooperate with the FBI and the FTC in amassing evidence of profiteering for prosecution under the Sherman and Clayton antitrust laws and the Lever Act.[60] Palmer also revived the Food Administration's wartime fair price committee system, again with a difference.[61] The Food Administration had appealed to patriotism to encourage cooperation; Palmer favored intimidation to expose profiteers.

The evidence in profiteering cases was gathered through a complaint card system that drew thousands of women into the campaign. Palmer appealed to them to join his crusade "to save America through an example of wise spending and frugal living"; otherwise, he maintained, "the country was headed toward social and economic disaster."[62] The New York Times foresaw a Palmer-organized "Housewives Brigade," fifty thousand strong, complaint cards in hand, marching through the shops of the city, checking prices, and reporting profiteers.[63] In fact, ten times fifty thousand women across the country responded. In Alabama, women organized Patchem and Wearem clubs. A clothing conservation drive was launched in Kansas to popularize home dressmaking and sewing. Women in Georgia and Nebraska, Minnesota and Maine began groups such as Crusaders Against HCL, Buy Right Club, and Buyers Vigilance Committee. The Lower Cost of Living Club members in New Hampshire recited while shopping: "To market, to market/ to buy a fat pig/Home again, home again/The price is too big."[64]

The Justice Department sent invitations to 183 women's organizations to cooperate. Among the more influential responding were the National Consumers League, General Federation of Women's Clubs, and the League of Women Voters. At their meetings, club members were requested to pledge to ."(1 teach more production, more conservation, more responsibility to Government. 2) Teach English, preach our form of government. Show advantages of our laws. 3) Root out agitators. Instill in the labor class the thought that agitators should not be feared or tolerated."[65] Palmer-style voluntary cooperation, laced with a strong nativist attitude, suspicion of the foreign-born, and distrust of worker patriotism, was a cause of postwar war hysteria that has been overlooked.

The feminist movement, then at its height, partially accounts for the enthusiatic participation of women in the HCL campaign. Activists dreamed of a more equitable society. Perhaps General Federation Magazine expressed this sentiment best: "The women who fought for prohibition and got it, for suffrage and have it so nearly, for protection of our children and have the child labor law, for the protection of women in industry and have the maximum and minimum wage law, can get what they want in this country. And if they want to reduce the high cost of living and catch the profiteer, they can do it if they will."[66]

The diligence of women enabled Palmer's agents to catch and prosecute 170 alleged profiteering retailers. Hoarders were exposed; after 86 food warehouse raids, Figg announced his "flying squadrons" had confiscated huge amounts of butter, meat, beans, and ten million dozen eggs.[67] Despite the energy expended and the booty captured, prices continued to climb.

Republican press and politicians professed cynicism of the intentions of the administration whirlwind. William Allen White, the Kansas sage, suspected that much of the raiding was done to stabilize the ballot for the Democratic party rather than the market for consumers.[68] "American people," the New York Tribune sneered, "can be quieted by buncombe and by the parade of quack remedies if garnished with noise and loud promises."[69] Henry Cabot Lodge charged that Wilson was using the HCL crisis to coerce the Senate into entering the League on the President's terms.[70] The postwar partisanship in 1919 had first erupted with Republican demands for a special session of the 66th Congress they would control with the intention of forcing Wilson into a foreign policy partnership. Tumulty saw opportunity for Wilson in agreement; a conciliatory response, would disarm his opponents, he believed, and also demonstrate presidential leadership to a business community upset by a sluggish economy.[71] Tumulty was not alone among Democrats who considered Wilson's aggressiveness toward Republicans a mistake. Colonel House was of this opinion, but judged Wilson's attitude that of a man "accustomed to dictatorial ways which are hard to give up."[72] In an angry exchange with Republican leaders on February 28, Wilson told them he would not call a session until his return from Europe with the completed treaty.[73] In retaliation, a Republican filibuster on the last day of the lame-duck 65th Congress, March 4, prevented passage of appropriation bills that eventually forced

Wilson to open a special session on May 19.[74] Adding the 1920 presidential election maneuvering to Republican provocations and Wilson obstinacy politicized the HCL issue.

Clearly, it was to be up hill from the start for a HCL campaign managed by a Democratic executive department that needed the cooperation of a Republican-controlled Congress. Palmer requested the Senate Committee on Agriculture to add food marketing cooperatives and clothing retailers to the anti-profiteering sections of the Lever Act.[75] The former were already a prime Justice Department target. On August 12, a federal district court found the New York State Milk Producers Association guilty of combining to raise milk prices.[76] Indictments against dairy cooperatives in Chicago and Cleveland brought angry charges at committee hearings by the milk producers group and the National Board of Farm Organizations that Figg's men, breaking into their offices with drawn guns had roughed up employees.[77] Wallace's Farmer described the raids as part of "The Game of Swatting Farmers," who "got a raw deal during the war, and now were being treated worse than ever."[78] The Agriculture Committee promptly excluded cooperatives from prosecution, while leisurely delaying until December before giving Palmer authority to prosecute clothing retailers.[79] Not having the political clout of a farm bloc, clothing trade associations vainly protested their liability to fines and jail terms.[80]

Palmer had as much difficulty with Democrats as with Republicans. The Cabinet, never in full agreement on inflation causes, refused to unite behind a politically ambitious Attorney General.[81] The President also created a serious problem for the campaign's success.

when, after consultation with Russell Leffingwell of the Treasury, he was persuaded that bringing the packers to court was a mistake. "No judicious student of the problem," in Leffingwell's opinion, "believes that HCL will be materially affected by the prosecution of the packers."[82] More to the point, such an attack on the business community might well jeopardize the Treasury's reliance on private investment to provide credits for European reconstruction, he reminded Wilson; American prosperity depended upon a healthy European market.[83] In September, Wilson instructed Tumulty to advise Palmer to negotiate with packer representatives for an out-of-court settlement.[84] Sometime after the President's stroke in early October, Tumulty reminded Palmer of these instructions.[85] On October 28, Palmer reported to the Cabinet that "the Packers wished to come in and agree to give up wholesale and retail grocery business, and etc., if not indicted."[86] The consent decree was disclosed on December 18.[87] The deal with the packers severely undercut the HCL campaign.

From then on, the campaign labored under the public's conviction that the administration was "jailing the small profiteer but leaving the mechanism of profiteering untouched."[88] Progressives were disappointed. Amos Pinchot asked, "Are there different laws for swindlers rich and swindlers poor?"[89] The League of Women Voters described the campaign "as a pretentious attack upon profiteers, a sham battle put up by the President, Congress, the Department of Justice, and the Federal Trade Commission."[90] Labor and farm groups joined in condemnation of the consent decree. To the International Ladies Garment Workers it was "a government sell-out to business," while _Wallace's Farmer_ asked why the packers had not been placed "under government supervision and compelled to use their big machine in the public interest."[91] The HCL campaign never regained the credibility it had lost with the consent decree.

On top of a 14 percent cost of living increase in 1919, inflation exploded in the first half of 1920, rising at an annual rate of 24 percent. Retail food prices on June 1 were 120 percent higher than before the war.[92]

The people blamed farmer greed, union wage demands, and business profiteering, accusations that set the special interest groups at odds not only with each other but with the administration. In turn, among business, labor, farmer there existed animosity which arose from the heightened special interest orientation of each of these groups.

Fears that the HCL campaign was attacking their interests contributed to the trend of farm groups to consolidate into national organizations, and set up a Washington base from which to lobby Congress. The National Board of Farm Organizations and the Farmers National Council were active in the halls of Congress early in 1919; in November, the American Farm Bureau Federation was organized and its presence in Washington quickly felt. That summer the Senate Farm Bloc was formed.[93] Among its organizers was Arthur Capper of Kansas who launched a long career on the wave of farm agit ation over HCL. "Every class is organized for self gain," he asserted. "Without complete organization in the future, without ability and courage to act, agriculture is going to be robbed of the just fruits of its labor."[94]

No farm organization or journal called for cooperation with Palmer. Instead, the administration's efforts was subjected to ridicule. To the National Grange Monthly, the campaign was a "roaring farce in the midst of increasing chaos and gloom invariably ending in a denunciation of profiteering farmers."[95] The Corn Belt Meat Producers Association president declared that the HCL drive was fleecing farmers "out of hundreds of millions of dollars."[96] The more embattled farmers became the more tense their relations with other economic groups. Senator Capper was in the forefront of those who charged the business community with responsibility for inflation. He called for Republicans to support Palmer's prosecutions of retailers who, in turn, charged that the Farm Bloc was a source of misinformation on inflation causes that was detrimental to business interests and demanded that Capper end his business-baiting.[97]

The farm-business antagonism generated during the crisis did not approach the intensity of the antipathy displayed between agriculture and labor. Taking advantage of the anti-union sentiment in the country in the fall of 1919 during the great labor-management struggles over unionism and wages, farm groups attempted to shift the onus for HCL to organized labor. The unions had no right to strike, declared the Missouri Farmers' Association, during the great national distress of HCL.[98] Using the brush of defamation, the recently-formed American Farm Bureau Federation was not alone in its resolution urging labor to rid its ranks of Bolshevists and join the farm bureaus in their "unwavering faith in and full support of the Constitution of the United States."[99] In metropolitan areas, where food prices were 20 percent higher than the national average, people were convinced that inflation was bottomed on farmer greed.[100] A veiled threat was the reaction of Capper's Farmer: "Faithful farmers who always produce sufficient food for all had about reached the limit of their patience with city workers." Rural-urban tensions increased through the HCL period.[101]

In January 1920, to stimulate the sagging fortunes of the campaign, Palmer put the labor movement under siege. He ordered an attack on labor as the prime cause of HCL.[102] Speakers were instructed to argue: "As the union demands for more pay and shorter hours is granted, production declines, a shortage of goods results, and like a skyrocket, up go prices to new levels. Prices mount to staggering figures and the cry of our workers is for more pay and shorter hours- and up go the prices another notch. Must this vicious circle continue?"[103] At their convention in February, the Women's Trade Union League protested: "Be it resolved that we ask the Department of Justice that its propaganda be stopped at once... that this entire anti-union propaganda be repudiated by the government."[104] Labor was angry, and rightly so; labor's wage demands were a desperate effort to keep up with prices that had spiraled under government policies.

The business community, on its part, highly incensed with the President's claim that profiteering businessmen were responsible for inflation, were worried about the consequences of Lever Act prosecutions. Trade associations, amo ng them the National Electric Light Association and the National Petroleum Association, expressed worry that if people were convinced that profiteering was causing inflation, they will encourage, as the National Association of Manufacturers expressed it, "public officers to snoop into one's business."[105] The business community wanted no threats from the government to its freedom of economic decision-making.

Business pressure had its effect on the government. Palmer signaled for a truce.[106] At meetings early in 1920 with clothing trade associations, Figg agreed that the government in making the retailer the scapegoat had undermined public confidence in business. The government had, he said, "the bigger job in hand to save business than to satisfy public or labor interests."[107]

Judging Figg's statement a sign of government weakness, retail trade associations were emboldened to defy federal authorities. In New York city, clothing store merchants heckled and refused to cooperate with investigators.[108] In Alexandria, Virginia, a sugar wholesaler denied agents access to his accounts. His chamber of commerce, he claimed, had advised members not to give information.[109] Few indictments were obtained, according to a Department report, because "grand juries refused to indict especially when jurymen were engaged in commercial activity."[110] Businessmen were protecting their own. Federal court judges agreed with defendants who argued that the Lever Act, in declaring it unlawful "for any person wilfully . . . to exact excessive prices of necessaries," failed to define a reasonable profit. In a Spokane, Washington case, the judge said the meaning of "excessive" was uncertain because, "prices could not be fixed arbitrarily without reference to place and circumstances."[111] In St. Louis, the judge dismissed a sugar profiteering case on the grounds that the Lever Act was "so vague and indefinite in the definition of the crime as to be in contravention of the sixth amendment . . . which states that 'In all criminal prosecutions, the accused shall ... be informed of the nature of the accusation.'"[112] Having won only 29 of 517 cases in the lower courts, the Justice Department appealed ten Lever cases to the Supreme Court.[113] It was evident by early summer that government profiteering prosecutions were stalled.

Another weapon in the HCL campaign was ineffectual. The fair price committee concept did not work for a number of reasons. In August, 1919, at the beginning of the campaign, the National Conference of Governors pledged to establish state price commissions to organize and oversee community committees. Nine governors, including those of California, Connecticut, and Ohio, states crucial to Palmer's success, did not fulfill their promises.[114] Considering the effort useless, Philadelphia and Cincinnati newspapers stopped running fair price food lists.[115] Several judges, moreover, ruled that fair price committees had no price-setting authority.[116] Russell Leffingwell of the Treasury, who claimed Palmer was never authorized to organize these committees, put his finger on the most serious problem: the fair price committees were not disposed to fight influential local merchants. For this reason, he said, "I am very much afraid that the committees are now functioning . . . to stabilize prices at a high level."[117] This situation frustrated Figg. It was impossible to win price reductions from clothing retailers, he stated in his final report, because they controlled the fair price committees. He cited the case in New York City where the president of B. Altman's, a large department store, was the committee chairman. In order to avoid chaos in the industry, the chairman, Michael Friedman, informed Figg, only prices set by his committee would be accepted by the industry.[118] In challenging the government, organized business and established groups by means of trade association legal blocks and fair price committee defiance were defeating public policy.

of farmers and workers.

While Figg's agents continued to aggravate the special interests through the 1920 summer, signs of the campaign's disintegration were appearing, The Wilson government was beginning to break up. By May, Glass, Leffingwell, and Hines had resigned. Wilson's failure to recognize Figg's name in a progress report from Palmer was a measure of the President's interest in the campaign.[119] In July, Wilson, signalling the end of the campaign, approved a Railroad Labor Board wage increase to all employees effective August 1, and retroactive to May 1. "Another nail in the coffin of the hopes that the cost of living will fall," remarked the New York World.[120] But HCL had started to weaken by this time. Government spending decreases and subsequent Federal Reserve credit tightening had balanced the budget by the fall of 1919, a disinflation process that worked through the economy to bring food prices in July down 2 percent.[121]

The Republican and Democratic platforms of their June conventions revealed the campaign strategy each planned in order to shift to the other responsibility for HCL. Democratic bungling of HCL, the Republicans charged, was evidence of the administration's ineptitude, lack of leadership, and of intelligent planning. If the administration had enforced the anti-profiteering laws enacted by a Republican Congress, inflation would have ended. Instead, the Democrats had used the Lever Act "to continue its arbitrary and inquisitorial control of the life of the people in time of peace and to carry confusion into industrial life."[122] During the campaign, Republicans carefully nurtured the belief that HCL was the result of Democratic mismanagement. In June, the House Judiciary Committee called for Palmer's resignation, alleging that he had been part of a sugar price-rigging scheme. A Senate subcommittee investigating presidential campaign expenditures in July heard charges that the St. Louis HCL office had been promoting Palmer's candidacy. The Attorney General, the committee charged, was guilty of misusing HCL funds.[123] By such political tactics, the Republicans contrived to escape blame for the failure of their Congress to meet its responsibilities in the HCL crisis.

On the defensive, not recognizing that disinflation was at work, the Democrats denied that Republicans had been cooperative. To the contrary, they claimed, the Congressional Republican majority had "raged against profiteering and the high cost of living without enacting a single statute to make the former afraid or doing a single act to bring the latter within limitations." The platform defended the administration's long-held contention that the first step toward American economic recovery was ratification of the treaty and membership in the League. Not perceiving these ties, the Democrats charged, "The Republican party is responsible for the failure to restore peace conditons in Europe, which is a principal cause of post-armistice inflation the world over."[124] The Democratic campaigners, however, seldom raised the HCL issue.

Before their convention opened on June 28, Democrats knew the problem to overcome was "the complex but irresistible disgust" of Wilsonianism aroused by the President's "quixotic excursions" to Europe, and his "one-man government."[125] Hoping to hold progressives and workers- the farm vote was written off- in the party, they nominated James Cox because he was not closely associated with Wilson. If any doubts remained of Wilson's liability to the party, reports of Steve Early, Franklin D. Roosevelt's advance man, dispelled them. Working across the northwest from Minneapolis, Sioux Falls, Butte, Seattle, Spokane, to Portland, Early described the bitterness, the antipathy against Wilson personally that was "evident everywhere and deeply rooted". People, he found, were disinterested and uninformed about the League of Nations. Most wanted to know "what they are going to get. thinking close to home, their bread baskets and not of their allies". The problem for the Democrats, prevalent everywhere, reinforced by the candidates meeting Wilson in the White House on July 18, was the general impression that Wilson controlled Cox. "If people could be told that Wilson had stepped aside, it would mean a lot of votes. As things stand, in their minds- Cox will, if elected, merely continue the Wilson administration."[126] The Democratic campaigners were too supportive of Wilson's foreign policy to follow Early's strategy. Although prices sank 24 percent between July and election day, the deflation was not enough to erase peoples' memories of the HCL campaign's aggravations and failure. The burden of Wilsonianism, the sum of the administration's failures to deal with postwar social, economic, and racial unrest, was too heavy for Cox and Roosevelt to bear. Of these problems, inflation, threatening every American's welfare, was most destructive of the Wilson coalition. This was not the only significance of the HCL controversy on politics.

The administration, trapped between the millstones of the contending interest groups, had antagonized each in its fruitless attempt to appease consumer demands for cost of living reductions. The pressures that the administration was subject to in the HCL months from organized interest groups, business, agriculture, and to a lesser degree, unions, began during the war mobilization years. This development quickened during the HCL experience when economic groups, lessening their reliance on the government's ability to protect the general welfare, turned to intensive lobbying of the White House and Congressional committees to advance their special interests. A decade before the labor movement joined them, trade associations and the farm bloc had shaped the modern political structure of special interest politics.

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