

New Era as a Way to New Deal?

A Critical View on Herbert Hoover's Economic Policy in the 1920s

Ladislav Tajovský

For most of the time that elapsed from the times of the Great Depression there prevailed an opinion among the mainstream economists and economic historians that there had been a fundamental difference between the solutions to the crisis as chosen by Hoover's administration on one side, and that opted for by Roosevelt on the other. This criterion has not been regarded as strict since the 1990s, at the latest, and this work will rather try to refer to the points of contact of both the economic and political models. The author of the text supposes that electing Franklin D. Roosevelt president in 1932 with his New Deal programme did not mean any revolutionary shift; much more, it should be considered a continuous development in the direction mentioned above.

To analyze the situation from which the suggestions of the New Deal's main authors arose, it is necessary to grasp the key period that had preceded the collapse of American and world economy after the year of 1929. The usual view of the economic history of the United States in the interim period sets the 1920s against the 1930s as antagonistic periods, which — from the viewpoint of a prevalent perspective of both the economic and political theory and practice, as well as the role of the state in economy — differed diametrically. Such a statement is only true partly when doing perfunctory research. When going into a deeper description, however, we do discover surprising similarities and especially clear connections that considerably limit a space for possible influence of the decisive politicians and their personal characteristics, as well as ideological differences between them. The economic policy of the Republican governments (mainly in the second half of the decade) and that of Roosevelt's first administrations were much closer than the state of the economy in both the decades could have indicated.

To follow the logic of the interpretation, it is vital to go back to the first post-war years when the United States took a hegemonic position in the world which fundamentally differed from the years of "belle époque". The economic and political measures of the United States' administration were after the world war implemented in the context of an international environment that had undergone a dramatic transformation within a few years only. However, for various reasons the administrations pursuing this policy were not able or willing to reflect those changes, and the measures taken to regulate and control the home economy were becoming more and more inconsistent with the exogenously set variables. If the explanation of some abstruse

steps taken by American governments in the time when the depression was culminating and immediately afterwards requires understanding the intellectual climate of the pre-crisis world, then — for the same reason — it is not possible to put aside the basic features of how the international structure of the post-war world functioned.

There are authors¹ who consider the very misinterpretation of the laws of development of international relations the primary cause of collapsing the world order in the second half of the interim period. It is not such irony that one of the architects of the Versailles world was an American — Woodrow Wilson. On the one hand, this personality symbolized a progressive period of internal affairs; on the other hand, however, activist foreign policies — forced by given circumstances to a large extent. And it was the refusal expressed by public opinion as far as further engagement of the USA in international relations was concerned, which made the American position in the world economy dominant but, at the same time, also exceptionally fragile. The Versailles-Washington system was based upon the foundations of an idealistic concept of international relations, with President Wilson (as a Southern academician — intellectual) as the main proponent. It was based on a relatively simple premise consisting in rejecting the international-political realism making absolute the national interests of individual powers; such a premise in the idealistic (liberal) conception led to the events preceding the world war.

The liberal world order presupposing cooperation of sovereign states (within a universal international organisation — namely the Commonwealth of Nations) should have guaranteed a peaceful and in the long term stable international environment itself. Idealists would put an equal sign between economic and political liberalism, and they regarded the liberal climate as the most convenient one, from the viewpoint of reaching long-term aims. Edward H. Carr,² on the other hand, saw such thoughts fatally mistaken. He claims that no international order may be based upon a liberal concept proving that in the times of global political stability as well as stability in the sphere of safety and security, there has always existed a dominant power able — thanks to its economic strength and military force, both being determined by its willingness — to get involved worldwide (even if primarily in favour of its own national interests). Carr's conception is, first and foremost (even if not only), a political and security one, but on the basis of similar prerequisites concepts purely economical were formulated as well. The main representative of this stream is Charles P. Kindleberger.³ The idealists (i.e. Wilson and others in the USA) viewed the United States as the most powerful economy dominating the world liberalized both econom-

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- 1 Edward H. Carr, who is considered the founder of modern realism in international relations, being the most influential and thought-provoking of them all. See CARR, E. H., *The Twenty Years Crisis 1919–1939*, London 1941; CARR, E. H., *Conditions of Peace*, London 1944.
 - 2 According to the realistic concept of international relations, the dichotomy between national interests and the means of meeting them excludes successful foreign policies in the long term. See, e.g., KISSINGER, H., *Umění diplomacie. Od Richelieuva k pádu Berlínské zdi*, Praha 1996.
 - 3 KINDLEBERGER, C. P., *World in Depression 1929–1939*, Berkeley 1975. In this work of his Kindleberger postulates the so called hegemonistic theory, and based upon it he constructs his explanation of the causes and circumstances surrounding the Great Depression.

ically and politically, where stability would be safeguarded by means of a functional international organization and the so called international law. The majority of American politicians taking these ideas would profess the legacy of the progressivists in the field of economic policy, and they were often linked with the Democratic Party.

Opponents from the Conservative and isolationist sides dominated the Republican Party and it was them who won the Congress election in the party in 1918. They took both the chambers until the election years of 1930 or 1932, when they suffered an electoral disaster. As far as their view on the role of the United States is concerned, their idea was completely different from the Wilson group at first sight. However, viewed from the angle of a realistic concept, those differences only occurred in the sphere of theory — idealists did demand the involvement in a system that would not have worked anyway; isolationists did reject it as a whole. The political and economic elite supposed that American economy would take advantage of its indisputable drive to a much greater extent than it did either before 1914 or 1917, without the US having to take over the responsibility for the international system and its functioning. In other words, they expected that their isolationist and protectionist policy would be seen in the same way as it was during half the century after the Civil War, when the role of the leader of the world economy had been fulfilled by Great Britain in a relatively efficient way. It had taken at least 15, maybe even 25 years before the United States realized that such thinking was a very dangerous illusion.

The American way to the economic domination was both a child of internal economic freedom of the 19th century as well as that of external circumstances which had facilitated (or partially conditioned) such a steep ascent. However, these circumstances were part of an international structure that did not exist after the war. American public decided to go on in new, progressivist shoes following in the old footsteps. The most influential posts of civil administration were taken by those politicians (the vast majority of them being members of the Republican Party) who would promise to return to „normalcy“.⁴In the American view this especially meant withdrawing from the international scene back to traditional isolationism, increasing customs tariffs, cutting taxes, reducing direct regulation of the economy and decentralization of decision-making.

Such were, at least, the ideas; and when listing the individual economic and political measures, we may trace a clear trend towards their meeting. Both in the sphere of international relations and in that of economic policies and economic development in general, there had come about changes under the supremacy of progressivism that one could hardly overlook. To put it simply, we may state that the demand of the public for meeting the progressivist ideals was saturated by a general economic boom. However, should any economic problems have occurred the legacy of previous years had shown itself and the Conservative administrations would only with difficulty resist the lures of populist policy. No matter if it was direct support of American entrepreneurs' and business companies' foreign activities abroad,⁵ creating a protectionist environment for home companies, or putting limits on immigration from

4 The motto “Return to Normalcy” brought Warren G. Harding and the Republican Party to a sweeping victory in the first post-war elections.

5 This originated from the so-called Rogers Act (Foreign Service Act, Rogers Act) of 1924.

some regions.⁶ In other words, this was the repetition of the situation from the last years of the past century when President McKinley's administration obligingly met big America corporations, and would "balance out" the relatively liberal economic policies towards inside the American economy with protectionist and strongly protectionist policies onto the outside. The arguments that it in fact meant returning to the American tradition (with the exception of the regional restrictive measures put on immigration) were internally consistent; however, they did not reflect a new international environment and thus they — without knowing it — were undermining the stability of the world economy on the growth in the long term of which American economy had, since the beginning of the WW1, depended to rather a chunky extent.

Foreign investments of business entities residing within the territory of the United States had in total exceeded foreign investing activities of all the other economies altogether in the second half of the 1920s. This situation posed the very opposite to the experience that the USA had ever lived through in their short history.⁷ The basis for the radical change from the biggest world debtor into the biggest creditor were — understandably enough — laid by market pressures in the wartime; those were, however, substantially complemented by the very state interventions in favour of export-oriented enterprises,⁸ and the already mentioned protectionist customs acts. The conservative, isolationist governments would be getting into more and more serious practical problems connected to a distorted international economic order: American prosperity and its continuation were due to the war irrefutably made dependent on the world and especially European demand. This, however, in comparison with the state of war would be decreasing thanks to two, at first sight contradictory factors: the first being the stimulation of national economies destroyed by the war, and the second being the continuing collapse of the economy of Weimar Republic.

American administration decided to choose an approach corresponding to the logic of the pre-war development: to protect from the competition coming from abroad and subsequently support the effort of their own companies getting round reciprocal measures in European countries. The only exception was economic aid to Germany after the crash of its economy in the time of the so called Ruhr Crisis⁹ by means of the so called Dawes Plan,¹⁰ which should have pulled the Weimar Republic economically round and

6 Immigration from regions outside northern and Western Europe, Canada and Latin America was restricted to a great degree by the Immigration Act (Johnson-Reed Act) of 1924.

7 In the times of the economic boom, marked off by the Civil War and the WW1, the United States would take on considerably more foreign investment than any other economy, the main US investor being European countries, dominated by Great Britain.

8 In April 1918 there was, on the basis of FTC material entitled "Cooperation in American Export", passed the Webb-Pomerene Act which — after complying with certain conditions — would take export-oriented firms out of anti-trust legislation (MATOUŠEK, J., *Spojené státy americké*, Praha 1948, p. 172).

9 In 1927 the first law to regulate the private radio stations broadcasting was passed.

10 Probably nobody supposed that in the time of Roosevelt's New Deal it would be the very radio sets that would be playing such an important role when promoting and propagating the government measures among tens of millions of Americans from all social strata. It was the first

thus secure its market for American export companies. As a matter of fact, American economy profited from the economic situation in Europe, which it was not able — due to its resigning the role of the world power — really and effectively influence anyway. The United States were exposing themselves to a risk of not having enough tools necessary for a reaction to any potential problems of the world economy, no matter what sort or of what origin these problems might be. American administration built its presumptions on the continuing economic growth on mere prolongation of the parallel international and economic development while not having at their disposal any means (monetary, financial, political or military) through which it could have reacted to any unexpected changes of the trend. In view of the fact that the USA were totally inexperienced as far as the hegemonic role is concerned, they were not willing to make any decision necessary for exploiting the accessible economic potential to maintain the world economy within the corridor of a relatively stable growth to such a degree as it had been done by Great Britain for most of the nineteenth century.

The period between the war and the Great Depression tends to be labelled as the last decade of the economic, and economic and political liberalism, at least as far as American economy as a whole is concerned. Such claim is based on a necessarily different understanding of the terminology used — as it was stated above. The state interventions in the market economy and its influencing the private entrepreneurial structures were — unlike in the previous period with the prevalence of progressivism, and especially unlike the successive years of Roosevelt policy — different, mainly as to the quality and character of the tools used. The American public would take the side of the forces rejecting to continue progressive reforms as early as in 1918, and they did the same thing in a situation which totally ruled out a simple return to the reality of the America of the 19th century. Anyway, such a return was not what the majority of the population would have called for. There were far too many numerous social groups that had emerged from the previous years — at least formally — as visibly strengthened, as far as their influence on shaping up the federal policy is concerned. As in the case of the women's suffrage, it was impossible to consider any return to the institutional social structure of the 19th century should the negotiation position of employees' unions be fortified. There were laid the foundations of strong federal bureaucracy then, which — despite efforts aimed at reducing its power — would only very unwillingly surrender the once gained decision-making powers to somebody else. And had the federal powers of federal authorities been restricted then they only were delegated onto lower levels of the state administration.¹¹

massive use of non-printed media in the free world, and that's why the propagandistic success of Roosevelt's regular Sunday programmes (the so called fireside chats, see further on in the text) so staggering and unexpected. If we give a thought to the deeper relations of some of his measures, the very trust in the president's steps that had been brought to the public's notice through direct contact on the radio, especially in spring 1933, in the time of controversial banking measures, was among the factors that may have had decisive significance for conquering the absolute disillusionment resulting from the financial system collapse.

11 This means in the real life of the USA first of all individual states, and only then municipal authorities.

To understand the next development of the economy and the genesis of the economic policies within the two interwar decades, it is vital to bear in mind what was said before. Neither American public nor political or business elites had any fundamental reason for taking a negative attitude towards the legacy of the progressive era, for pure practical reasons. Notwithstanding the real causes, in the first two decades of the 20th century the United States had — according to all available statistics — lived through years minimally comparable to a record economic boom following the Civil War. Moreover, some of the progressive reforms had made the strong social groups to take part in running the society much more than ever before. On the other hand, despite the fact that in the times of Theodore Roosevelt's and W. Wilson's governments the influence of big corporations had nominally gone down, the war economy did strengthen their position again; and it was them which had profited most from the expansion to foreign markets in the years of 1914–1920. Thus, virtually there did not exist any influential interest group that could in reality benefit from returning before the progressivist period, without any interest groups, far more powerful, being set against each other. An important part was played by the election cycle, which takes in fact two years in the USA. Thanks to strengthening the elements of direct democracy, the social climate could be reflected on the results of the political struggle faster and more effectively.¹²

And so even the administrations of various Republican presidents during the pre-crisis period (i.e. Harding, Coolidge, and partly Hoover) did not — apart from the need to define themselves as opposed to the Democrats, naturally professing Wilsonian tradition — have much reason to change anything about the status quo. Nevertheless, we may still, with justification to a considerable extent, argue in favour of an assertion that the role of the state in the 1920s lost in strength. Should we consult the data concerning the share of the federal budget in the whole product created, then the descending trend is obvious.¹³ This can be first explained by transferring one part of the budget organization powers on to the states as well as by reducing the burden of taxation for groups of population with high salaries, and corporate taxes,¹⁴ which had — with the summary tax quota being at a low level — far more statistical influence than ever before. An important part was also played by the fact of shifting the business activities outside the territory of the United States, which was naturally also connected to the tax revenues of the budget. In comparison with the years of the progressivist era, when a fundamental role was played by Conservative ex-president W. Taft in the capacity of Chief Justice,¹⁵ direct powers of some federal institutions had gone down as well.

12 An interesting analysis of this factor with an emphasis on the second half of the twentieth century see HIBBS, J. D. A., *The American Political Economy: Macroeconomics and Electoral Politics*, Cambridge 1987.

13 NIEMI, A. W., *U.S. Economic History*, Chicago 1975, pp. 115.

14 RATNER, S., *Taxation and Democracy in America*, New York 1967, pp. 409–450, table No. 1 in appendix.

15 He served as Chief Justice of the United States in the years of 1911–1930. On his years of service see e.g. MASON, A. G., *William Howard Taft: Chief Justice*, New York 1965.

The 1920s and especially the predominant economic policy of that time cannot be comprehended without stressing Herbert C. Hoover's influence, as this politician would occupy the post of secretary of commerce in all the Republican administrations of 1921 — 1929. It was probably this personality the tradition of a liberal state and progressivist legacy of a specific form of state interventionism were wedded in most typically. Hoover adhered to American conservatism in its modern conception, however, at the same time he regarded the laissez-faire model in its classic form as outdated and inapplicable. He began his civil service career in Western Europe (especially in Belgium) at the end of the war and in the first years afterwards, and then — in the time of the civil war and war Communism — he would even stay in Soviet Russia coordinating ARA activities.¹⁶ This engagement of his influenced his attitudes and the way of thinking essentially. He became a life pacifist, and — which is more important from the point of view of the development of the economic policy of the USA — formed his own social as well as political doctrine based on his experience of poverty and suffering, which he formulated in his work entitled *American Individualism*.¹⁷ And it was these views as expressed in the mentioned work that together with his privileged position in the American business and political circles¹⁸ had been at the root of a specific economic and political model of the USA in the years of Republican administrations in power as well as afterwards, as a result.

Hoover's social philosophy, and economic and political conception were based on finding a happy mean between the tradition of pronounced individualism, and the Quaker community and humanism spirit. Hoover viewed private property as undisputable and he regarded open capitalism as a basic prerequisite of a long-term economic development. He dismissed strengthening the role of the state which in American conditions meant strengthening the federal bodies; he considered too powerful competence granted to state institutions — in the light of the experience of the communist coup d'état in Russia and its consequences, as well as of complete nationalization of the economy there — a threat not only to economic productivity but mainly to democracy and the freedom of an individual. As Secretary of Commerce Hoover would advocate the establishment of a new relation between the state and private enterprises. The linchpin of his economic policy was an idea of cooperative individualism consisting in voluntary cooperation between both the private sector and the state, as well as between individual entrepreneurs. He was indirectly inspired by the concept of Taylorism, demonstrating on the results coming out of a vast number of statistical analyses that voluntary cooperation of private entities could make the market economy more efficient and flexible when reacting to fluctuations of the economic cycle. This cycle should have been — thanks to the so called association science — gradually eliminated.

16 American Relief Administration; see e.g. LYONS, E., *Herbert Hoover: A Biography*, New York 1964, pp. 145–149.

17 HOOVER, H., *American Individualism*, New York 1922. Hoover points out that he wrote the book with the intention of averting a revolution similar to those “we witnessed in the last eight years ... in one third of the world” (see the quoted book, p. 1).

18 In 1918 he was being considered (at the age of 44) a presidential candidate in both the main political parties.

The newly established department of Commerce had taken on an important position under his control and became an active subject in the American economic system. The state kept cutting down on its expenses and direct state interventions were diminishing; however, the state influence was — mainly due to Hoover's department's activities — greater than ever before in the times of peace. The cooperative relationship of state authorities and trade and entrepreneurial associations that were being newly established should have made the competition beneficial for everybody immediately and visibly enough; the state would help the enterprises search for new foreign markets creating conditions suitable for export-oriented companies. Cooperative individualism together with the practice of sharing information¹⁹ with individual market entities should have led to better stability of the market economy as a system and to the cut down on wasting the resources. In this respect Hoover was in fact a conservative heir of progressivism, as he considered the progressive aims to be praiseworthy and he only differed as to the means necessary to employ in order to effectively achieve them. He was a staunch enemy of centralization and direct interventions of federal bodies or agencies, so while running the department of commerce he — in collaboration with Treasury Department — managed to turn back the trend of federal redistribution growth. As it was stated above, mostly this only had to do with the dislocation of decision-making competences to individual states of the Union, which was in full compliance with the tradition of fiscal liberalism of the United States of the 19th century.

Should we look for a real differentiating feature for all the administrations dominated by Herbert Hoover as the author of economic policy, and those led by his successor Franklin D. Roosevelt then — by virtue of the latest historical knowledge — it is within the sphere of willingness to engage the federal authorities in direct management of state schemes. From Hoover's point of view, it was not acceptable that various anti-crisis schemes after 1929 be run by federal officials;²⁰ he preferred decentralized competences when treating earmarked finances as well as supporting the establishment of private institutions that would distribute state subsidies on a commercial basis. He regarded voluntary cooperation at all levels as more effective than state pressure or direct regulations. Surprisingly enough, his conception — idealistic to a great extent — did work in the "classic" 1920s, and he managed to persuade a large number of influential businessmen on general advantageousness of the model.²¹ This should have, on the basis of common interest (i.e. lasting prosperity), directed the most decisive economic entities to maximum effectiveness of the market economy. The market economy itself was to be cleared of all its weak points, especially as far as widening the property disproportions, cyclical fluctuations and thus risks consisting

19 Supporting the practice of mutual giving information by individual businessmen was part of official economic policy. In 1925 it was even declared legal and complying with the market by the Supreme Court.

20 Hoover kept defending this view of his even after retiring from the post; see e.g. his anti-Roosevelt article *The Challenge to Liberty*. HOOVER, H., *The Challenge to Liberty*, in: ROZWENC, E. C. (ed.), *The New Deal: Revolution or Evolution?*, Lexington 1959, pp. 62-71.

21 The model as implemented in the United States of the 1920s had some features in common with the practice of indicative planning in Japan after 1952.

in social unrest were concerned. Democratizing the society and spreading real suffrage as probably the most conspicuous manifestations of progressivism forced both the political as well as entrepreneurial elites to differently assess long-term effectiveness of their own decisions. If we accept a view of one part of fathers-founders, there was turning into reality the feared “tyranny of the majority” through gradual steps. The 1920s thus can also be understood as a trial to pacify those inherent social forces within the boundaries of the existing system. From this view, New Deal meant another step in the same direction.

The logic outlined above also underlay Hoover’s anti-trust policy, which was moving somewhere between imposing control over the corporations (just like under Theodore Roosevelt’s administrations) and efforts at their combating. It is not ironic that the government won the support with entrepreneurs themselves as well as their associations; the state declared its willingness to prefer a consensus to any pressure actions, and within a certain degree of cooperation it strove to find a generally acceptable *modus vivendi* in this field. Even in the successful 1920s the post-war individualism was far from its traditional form (the so called rugged individualism) that had been known in America in the epoch of industrialization heyday. New interest groups pushed forward; of them especially agricultural primary producers,²² better and better organized, commanded that the problems of the agrarian sector had once and for all become an issue discussed at a federal level.

The economic development was, after overcoming the sharp post-war crisis of summer 1921,²³ exceptionally successful for most of the period until the collapse of 1929. We will shortly mention some of the characteristic features of this period in the next part of the text.

However, from the viewpoint of the development after 1929 it is possible even here to unambiguously trace distinctly negative tendencies some of which have already been described above.

The key question that plays a fundamental role when explaining the relations between the economic disaster of 1929–1933 and the essence of subsequent remedial measures, is the nature of the boom in the 1920s and especially the role of the state in that period. The Great Depression, its causes and course, its consequences and selected means of solving it, pose an exceptionally complex problem, which will break up into heterogeneous parts, lacking any other than time relations many times, when trying to look into partial issues. When researching into the given matter, we may very easily mistake a cause for its consequence, disregard a circumstance of principle, or view the economy of one state as entirely out of touch with influences coming from the outside

22 In 1920 there came into existence an influential lobbying organization called Farm Bloc, its activities being directed at bolstering state interventionism within the agrarian sector through guarantees of the stability of farmers’ pensions.

23 In the years of 1920–1921 the USA was struck by a deep cyclical crisis caused by European recovery after the Great War. Prices tumbled (with agricultural produce by up to 48 % in a year, and by 21 % with industrial production); the income per capita went down by 28 %; industrial production itself slumped by one fifth; the volume of foreign trade decreased by a half; the number of the unemployed being 5 million. The crisis was over in June 1921.

world. Even more confusing is the fact that the events of the years of the crisis and afterwards are far too often taken out of their historical context, which leads to the hypertrophy of judgments emphasizing the “epoch-making”, “revolutionary” character of the given period. From the point of view of economic history, the Great Depression years and especially the years of New Deal appear to be more of an evolution process, when individual subjects would react to changing economic conditions, while — as a matter of fact — it was those reactions that would affect the nature of the economic system as a whole, maybe more significantly than in the recent past really.

The basic macroeconomic relations of the pre-crisis decade prosperity are generally well-known, and from the viewpoint of the analyzed problems they are not so important. What had more importance, though was the dynamics of the process of structural changes in the economic supply and the changes as to the consumer behaviour of the population. This backfire effect calls for adjusting various attributes of the market economy, which, however, happens with a certain time lag, in proportion to the speed of the given changes. No matter whether we may speak of changing the requirements as to the functioning of banks and other financial institutions, of a quantitative leap in volumes of business operations in the stock exchange market, or of other substantial changes, all this had a vast impact on the long-term stability of the economy as a whole. Thus, in the next text we will take a short look at the very pressures of the institutional character which — apart from the technological changes — rank among the most significant relations accompanying the boom of the first post-war decade, from the point of view of economic history.

The new era²⁴ of American capitalism distinguished itself by some parameters that were — especially if we take into account its institutional characteristics — so different from the situation of the end of the past century or even the pre-war years — that it required immediate adaptation of individual market subjects. None of the analyses dealing with partial transformations of the economic system functioning would, however, not be able to explain the depth and the duration of the subsequent depression on itself. It is only the concurrence of many factors, both external and internal ones, microeconomic as well as macroeconomic, institutional and technological, social and political ones that may allow to describe well enough the specific nature of the 1929–1933 crisis. An eclectic view enables — without being burdened by too many details — us to see some connections that to a considerable extent exceed standard, purely economic argumentation as taken by different schools of economic thought.

Some aspects have already been described above. If we sum them up,²⁵ it was mainly the question of a different model of the structure of an international system

24 The term “New Era”, having originated in the sphere of journalism, became accepted usage for the economic growth of the 1920s, which ought to — according to most politicians, entrepreneurs and journalists — have been synonymous with the “capitalism”, within which the economic growth would not be accompanied by destructive crises. The term is most closely connected to the name of H. Hoover.

25 For a clearly organized and consistent compendium of the factors in play see ARNDT, H. W., *The Economic Lessons of the Nineteen-Thirties*, London 1972, pp. 9–19.

with strong anarchistic elements, again without any dominant powers or a groups of powers after a long time. Furthermore, we characterized the development of the authors of American economic policy' economic background emphasizing a distinctive trend consisting in strenghtening formal or informal interventions to the economy. An important moment was increasing the influence of cooperative individualism including especially informal aspects of progressivism as well as elements of modern conservatism. Within the sphere delimited by these features there came about important technological changes in the 1920s, the complete implications of which were not entirely clear and the potential risks of which for the stability of the system were — understandably enough — mostly ignored.

Scientific discoveries of the previous decades made in the time of the expansion of the world economy in the last third of the 19th century (massive exploitation of electric energy, a slump in transportation costs, new ways of communication) are at the root of a dramatic change of consumer behaviour of American population. This mainly consisted in growing preferences aimed at durable goods; after the war these goods did not only include a house or a flat but also automobiles and other electrical appliances,²⁶ especially radio sets, fridges, gramophones, hoovers, washing machines etc.²⁷ At the other end, there was a production of classic branches such as agriculture, textile industry, coal mining or ship building industry that were — for various reasons — experiencing rather a complicated period. The engine of the economic growth was the building and construction industry during the whole period, which benefited both from growing incomes of the population and from federal as well as state orders allocated for building the infrastructure (road systems, electrification, airports, water canals and reservoirs).

Unprecedented upswing was experienced by advertizing industry, which caused that consumption had ceased to be a question of necessity and instead had become a fashion attribute determining a social status. Obviously, that was nothing new under the sun. However, the novelty was an enormous number of inhabitants that could be affected by advertizing — thanks to increasing their standard of living. Here we must mention the important — and still underestimated — role of the rise of cinematography as a phenomenon of social life, mainly after releasing the first sound movies in 1926. The film industry played a considerable part when forming consumer behaviour and promoting new forms of instalment plans (see further on), through which these had become — for the first time in history — quite common for a wide social spectrum of the population. In view of the fact that by the end of the decade the cinema had been visited on average by 80 — 100 million people a week,²⁸ the impact of this new kind of entertainment was immense and omnipresent.

26 The amount of electric power produced had doubled since the beginning of the decade; in 1972 the number of households with electricity installed was 63 %, four times more than fifteen years ago.

27 For the changes in social life, consumer habits etc., see e.g. SLOSSON, P. W., *The Great Crusade and After 1914–1928*, Chicago 1971, pp. 162–250.

28 In 1932 there were less than 123 million inhabitants in the USA.

During all the decade the share of instalment plans in realized demand kept increasing and the business sector substantially assisted by the government²⁹ would create optimal conditions for further growth in consumption now with financing in future. With interest rates kept low artificially, growing economy in the long term and infinitesimal unemployment, the expansion of instalment sales was generally advantageous, and so demand could feed itself in some areas. At the beginning of the post-war boom instalment plans were nearly solely used for acquiring a flat (mortgages); on the eve of the Depression purely consumer credits accounted for 3 billion dollars. i.e. more than a double of what they amounted to in mid-decade. On the one hand, this part of consumer demand with deferred payments did propel the growth in some sectors,³⁰ on the other hand, it injected — in many ways — inappropriate risks in the economy. As a result, the aggregate demand displayed much stronger tendencies to fluctuations in both directions, and in view of minimum experience of this kind of financing it thus acted very strongly in the opposite direction in the time of economic difficulties than it did in the time of the growth. What's more, consumer credits encumbered not only the household budgets but they would also tie bigger and bigger amounts of finance from the macroeconomic point of view, which manifested itself later in a situation when a large proportion of them stopped being paid off regularly. In this sphere the state — through its informal and hardly quantified influence on the banking sector — acted in favour of increasing consumer optimism that subsequently worked as one of the most influential growth-promoting factors. If we look into the problems of the banking system that appeared later, we can notice that unpaid consumer credits or their secondary consequences were among the circumstances amplifying the banking crisis of the early 1930s.

ABSTRACT

“NEW ERA” AS A WAY TO NEW DEAL?

A CRITICAL VIEW ON HERBERT HOOVER'S ECONOMIC POLICY IN THE 1920S

The 1920s tend to be called “New Era” in the economic history. Political economy of the Republican presidents (Warren Harding, Calvin Coolidge, Herbert Hoover) was based on the belief that modern capitalism would no longer be accompanied by cyclical crisis recessions. The key institution of the political economy was step by step becoming to be the recently founded central bank, FED, which in compliance with the Department of Treasury had a policy which consisted in experiments with generating of economic activity through changing the amount of money in the economy. The key personality of the political economy of this period was the Secretary of Commerce and later president Herbert Hoover who introduced the concept of so called cooperative individualism. In this sense the republican 1920s followed the period of progressivism typical for the time before the First World War.

29 Republican administrations coined the motto: “Want more from life!” This campaign was one of the typical manifestations of mutually advantageous cooperation between the government and private businessmen.

30 Apart from housing development this was mainly the case of automobile industry. For more details see DILLARD, D., *Economic Development of the North Atlantic Community: Historical Introduction to Modern Economics*, New Jersey 1967, pp. 567–578.

KEYWORDS

The United States of America, the 1920s, New era, Herbert Hoover, Progressivism, Cooperative individualism

ABSTRAKT**„NOVÁ ÉRA“ JAKO CESTA K NOVÉMU ÚDĚLU?
KRITICKÝ POHLED NA HOSPODÁŘSKOU POLITIKU HERBERTA HOOVERA
VE DVACÁTÝCH LETECH 20. STOLETÍ**

Dvacátá léta minulého století bývají v hospodářských dějinách označována termínem „nová éra“. Hospodářská politika republikánských prezidentů (Waren Harding, Calvin Coolidge, Herbert Hoover) vycházela z všeobecně rozšířeného přesvědčení, že moderní kapitalismus již nebude provázen cyklickými krizovými poklesy. Klíčovou institucí hospodářské politiky se postupně stávala nedávno vzniklá centrální banka, Fed, která v souladu s politikou ministerstva financí prováděla politiku spočívající v experimentování s generováním ekonomické aktivity prostřednictvím ovlivňování množství peněz v ekonomice. Stěžejní osobností hospodářské politiky po celou dekádu byl ministr obchodu a pozdější prezident Herbert Hoover, který přišel s konceptem tzv. kooperativního individualismu. V tomto smyslu republikánská 20. léta navazovala na období progresivismu před první světovou válkou.

KLÍČOVÁ SLOVA

Spojené státy americké, dvacátá léta 20. století, nová éra, Herbert Hoover, progresivismus, kooperativní individualismus