cussion of the twenties apart from nearly a century of economic history. To put it another way, is it possible—or even desirable—to periodize the twenties as a decade apart, giving it a uniqueness that it may not have possessed? These are only a few questions that students must deal with if the true nature of the 1920's is to be clearly assessed.

# John Kenneth Galbraith

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AFTER the Great Crash came the Great Depression which lasted, with varying severity, for ten years. In 1933, Gross National Product (total production of the economy) was nearly a third less than in 1929. Not until 1937 did the physical volume of production recover to the levels of 1929, and then it promptly slipped back again. Until 1941 the dollar value of production remained below 1929. Between 1930 and 1940 only once, in 1937, did the average number unemployed during the year drop below eight million. In 1933 nearly thirteen million were out of work, or about one in every four in the labor force. In 1938 one person in five was still out of work.

It was during this dreary time that 1929 became a year of myth. People hoped that the country might get back to twenty-nine; in some industries or towns when business was phenomenally good it was almost as good as in twenty-nine; men of outstanding vision, on occasions of exceptional solemnity, were heard to say that 1929 "was no better than Americans deserve."

On the whole, the great stock market crash can be much more readily explained than the depression that followed it. And among the problems involved in assessing the causes of depression none is more intractable than the responsibility to be as-

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signed to the stock market crash. Economics still does not allow final answers on these matters. But, as usual, something can be said.

## I

As already so often emphasized, the collapse in the stock market in the autumn of 1929 was implicit in the speculation that went before. The only question concerning that speculation was how long it would last. Sometime, sooner or later, confidence in the short-run reality of increasing common stock values would weaken. When this happened, some people would sell, and this would destroy the reality of increasing values. Holding for an increase would now become meaningless; the new reality would be falling prices. There would be a rush, pellmell, to unload. This was the way past speculative orgies had ended. It was the way the end came in 1929. It is the way speculation will end in the future.

We do not know why a great speculative orgy occurred in 1928 and 1929. The long accepted explanation that credit was easy and so people were impelled to borrow money to buy common stocks on margin is obviously nonsense. On numerous occasions before and since credit has been easy, and there has been no speculation whatever. Furthermore, much of the 1928 and 1929 speculation occurred on money borrowed at interest rates which for years before, and in any period since, would have been considered exceptionally astringent. Money, by the ordinary tests, was tight in the late twenties.

Far more important than rate of interest and the supply of credit is the mood. Speculation on a large scale requires a pervasive sense of confidence and optimism and conviction that ordinary people were meant to be rich. People must also have faith in the good intentions and even in the benevolence of others, for it is by the agency of others that they will get rich. In 1929 Professor Dice observed: "The common folks believe in their leaders. We no longer look upon the captains of industry as magnified crooks. Have we not heard their voices over the radio? Are we not familiar with their thoughts, ambitions, and ideals as they have expressed them to us almost as a man talks



to his friend?" Such a feeling of trust is essential for a boom. When people are cautious, questioning, misanthropic, suspicious, or mean, they are immune to speculative enthusiasms.

Savings must also be plentiful. Speculation, however it may rely on borrowed funds, must be nourished in part by those who participate. If savings are growing rapidly, people will place a lower marginal value on their accumulation; they will be willing to risk some of it against the prospect of a greatly enhanced return. Speculation, accordingly, is most likely to break out after a substantial period of prosperity, rather than in the early phases of recovery from a depression. Macaulay noted that between the Restoration and the Glorious Revolution Englishmen were at a loss to know what to do with their savings and that the "natural effect of this state of things was that a crowd of projectors, ingenious and absurd, honest and knavish, employed themselves in devising new schemes for the employment of redundant capital." Bagehot and others have attributed the South Sea Bubble to roughly the same causes. In 1720 England had enjoyed a long period of prosperity, enhanced in part by war expenditures, and during this time private savings are believed to have grown at an unprecedented rate. Investment outlets were also few and returns low. Accordingly, Englishmen were anxious to place their savings at the disposal of the new enterprises and were quick to believe that the prospects were not fantastic. So it was in 1928 and 1929.

Finally, a speculative outbreak has a greater or less immunizing effect. The ensuing collapse automatically destroys the very mood speculation requires. It follows that an outbreak of speculation provides a reasonable assurance that another outbreak will not immediately occur. With time and the dimming of memory, the immunity wears off. A recurrence becomes possible. Nothing would have induced Americans to launch a speculative adventure in the stock market in 1935. By 1955 the chances are very much better.

## II

As noted, it is easier to account for the boom and crash in the market than to explain their bearing on the depression which

followed. The causes of the Great Depression are still far from certain. A lack of certainty, it may also be observed, is not evident in the contemporary writing on the subject. Much of it tells what went wrong and why with marked firmness. However, this paradoxically can itself be an indication of uncertainty. When people are least sure they are often most dogmatic. We do not know what the Russians intend, so we state with great assurance what they will do. We compensate for our inability to foretell the consequences of, say, rearming Germany by asserting positively just what the consequences will be. So it is in economics. Yet, in explaining what happened in 1929 and after, one can distinguish between explanations that might be right and those that are clearly wrong.

A great many people have always felt that a depression was inevitable in the thirties. There had been (at least) seven good years; now by an occult or biblical law of compensation there would have to be seven bad ones. Perhaps, consciously or unconsciously, an argument that was valid for the stock market was brought to bear on the economy in general. Because the market took leave of reality in 1928 and 1929, it had at some time to make a return to reality. The disenchantment was bound to be as painful as the illusions were beguiling. Similarly, the New Era prosperity would some day evaporate; in its wake would come the compensating hardship.

There is also the slightly more subtle conviction that economic life is governed by an inevitable rhythm. After a certain time prosperity destroys itself and depression corrects itself. In 1929 prosperity, in accordance with the dictates of the business cycle, had run its course. This was the faith confessed by the members of the Harvard Economic Society in the spring of 1929 when they concluded that a recession was somehow overdue.

Neither of these beliefs can be seriously supported. The twenties by being comparatively prosperous established no imperative that the thirties be depressed. In the past, good times have given way to less good times and less good or bad to good. But change is normal in a capitalist economy. The degree of regularity in such movements is not great, though often thought to be. No inevitable rhythm required the collapse and stagnation of 1939–40.

Nor was the economy of the United States in 1929 subject to such physical pressure or strain as the result of its past level of



performance that a depression was bound to come. The notion that the economy requires occasional rest and resuscitation has a measure of plausibility and also a marked viability. During the summer of 1954 a professional economist on President Eisenhower's personal staff explained the then current recession by saying that the economy was enjoying a brief (and presumably well-merited) rest after the exceptional exertions of preceding years. In 1929 the labor force was not tired; it could have continued to produce indefinitely at the best 1929 rate. The capital plant of the country was not depleted. In the preceding years of prosperity, plant had been renewed and improved. In fact, depletion of the capital plant occurred during the ensuing years of idleness when new investment was sharply curtailed. Raw materials in 1929 were ample for the current rate of production. Entrepreneurs were never more eupeptic. Obviously if men, materials, plant, and management were all capable of continued and even enlarged exertions a refreshing pause was not necessary.

Finally, the high production of the twenties did not, as some have suggested, outrun the wants of the people. During these years people were indeed being supplied with an increasing volume of goods. But there is no evidence that their desire for automobiles, clothing, travel, recreation, or even food was sated. On the contrary, all subsequent evidence showed (given the income to spend) a capacity for a large further increase in consumption. A depression was not needed so that people's wants could catch up with their capacity to produce.

## III

What, then, are the plausible causes of the depression? The task of answering can be simplified somewhat by dividing the problem into two parts. First there is the question of why economic activity turned down in 1929. Second there is the vastly more important question of why, having started down, on this unhappy occasion it went down and down and down and remained low for a full decade.

As noted, the Federal Reserve indexes of industrial activity and of factory production, the most comprehensive monthly

measures of economic activity then available, reached a peak in June. They then turned down and continued to decline throughout the rest of the year. The turning point in other indicators—factory payrolls, freight-car loadings, and department store sales—came later, and it was October or after before the trend in all of them was clearly down. Still, as economists have generally insisted, and the matter has the high authority of the National Bureau of Economic Research, the economy had weakened in the early summer well before the crash.

This weakening can be variously explained. Production of industrial products, for the moment, had outrun consumer and investment demand for them. The most likely reason is that business concerns, in the characteristic enthusiasm of good times, misjudged the prospective increase in demand and acquired larger inventories than they later found they needed. As a result they curtailed their buying, and this led to a cutback in production. In short, the summer of 1929 marked the beginning of the familiar inventory recession. The proof is not conclusive from the (by present standards) limited figures available. Department store inventories, for which figures are available, seem not to have been out of line early in the year. But a mild slump in department store sales in April could have been a signal for curtailment.

Also there is a chance—one that students of the period have generally favored—that more deep-seated factors were at work and made themselves seriously evident for the first time during that summer. Throughout the twenties production and productivity per worker grew steadily: between 1919 and 1929, output per worker in manufacturing industries increased by about 43 percent. Wages, salaries, and prices all remained comparatively stable, or in any case underwent no comparable increase. Accordingly, costs fell and with prices the same, profits increased. These profits sustained the spending of the well-to-do, and they also nourished at least some of the expectations behind the stock market boom. Most of all they encouraged a very high level of capital investment. During the twenties, the production of capital goods increased at an average annual rate of 6.4 percent a year; non-durable consumers' goods, a category which includes such objects of mass consumption as food and clothing, increased at a rate of only 2.8 percent. (The rate of increase for durable consumers' goods such as cars, dwellings, home furnishings, and the like, much of it representing expenditures of the well-off to well-to-do, was 5.9 percent.) A large and increasing investment in capital goods was, in other words, a principal device by which the profits were being spent. It follows that anything that interrupted the investment outlays—anything, indeed, which kept them from showing the necessary rate of increase—could cause trouble. When this occurred, compensation through an increase in consumer spending could not automatically be expected. The effect, therefore, of insufficient investment—investment that failed to keep pace with the steady increase in profits—could be falling total demand reflected in turn in falling orders and output. Again there is no final proof of this point, for unfortunately we do not know how rapidly investment had to grow to keep abreast of the current increase in profits. However, the explanation is broadly consistent with the facts.



There are other possible explanations of the downturn. Back of the insufficient advance in investment may have been the high interest rates. Perhaps, although less probably, trouble was transmitted to the economy as a whole from some weak sector like agriculture. Further explanations could be offered. But one thing about this experience is clear. Until well along in the autumn of 1929 the downturn was limited. The recession in business activity was modest and underemployment relatively slight. Up to November it was possible to argue that not much of anything had happened. On other occasions, as noted—in 1924 and 1927 and of late in 1949—the economy has undergone similar recession. But, unlike these other occasions, in 1929 the recession continued and continued and got violently worse. This is the unique feature of the 1929 experience. This is what we need really to understand.

## IV

There seems little question that in 1929, modifying a famous cliché, the economy was fundamentally unsound. This is a circumstance of first-rate importance. Many things were wrong, but five weaknesses seem to have had an especially intimate bearing on the ensuing disaster. They are:

THE BAD DISTRIBUTION OF INCOME

In 1929 the rich were indubitably rich. The figures are not entirely satisfactory, but it seems certain that the 5 percent of the population with the highest incomes in that year received approximately one third of all personal income. The proportion of personal income received in the form of interest, dividends, and rent—the income, broadly speaking, of the well-to-do—was about twice as great as in the years following the Second World War.

This highly unequal income distribution meant that the economy was dependent on a high level of investment or a high level of luxury consumer spending or both. The rich cannot buy great quantities of bread. If they are to dispose of what they receive it must be on luxuries or by way of investment in new plants and new projects. Both investment and luxury spending are subject, inevitably, to more erratic influences and to wider fluctuations than the bread and rent outlays of the $25-a-week workman. This high-bracket spending and investment was especially susceptible, one may assume, to the crushing news from the stock market in October of 1929.

THE BAD CORPORATE STRUCTURE

In November 1929, a few weeks after the crash, the Harvard Economic Society gave as a principal reason why a depression need not be feared its reasoned judgment that "business in most lines has been conducted with prudence and conservatism." The fact was that American enterprise in the twenties had opened its hospitable arms to an exceptional number of promoters, grafters, swindlers, impostors, and frauds. This, in the long history of such activities, was a kind of flood tide of corporate larceny.

The most important corporate weakness was inherent in the vast new structure of holding companies and investment trusts. The holding companies controlled large segments of the utility, railroad, and entertainment business. Here, as with the investment trusts, was the constant danger of devastation by reverse leverage. In particular, dividends from the operating companies paid the interest on the bonds of upstream holding companies.



The interruption of the dividends meant default on the bonds, bankruptcy, and the collapse of the structure. Under these circumstances, the temptation to curtail investment in operating plant in order to continue dividends was obviously strong. This added to deflationary pressures. The latter, in turn, curtailed earnings and helped bring down the corporate pyramids. When this happened, even more retrenchment was inevitable. Income was earmarked for debt repayment. Borrowing for new investment became impossible. It would be hard to imagine a corporate system better designed to continue and accentuate a deflationary spiral.

THE BAD BANKING STRUCTURE

Since the early thirties, a generation of Americans has been told, sometimes with amusement, sometimes with indignation, often with outrage, of the banking practices of the late twenties. In fact, many of these practices were made ludicrous only by the depression. Loans which would have been perfectly good were made perfectly foolish by the collapse of the borrower's prices or the markets for his goods or the value of the collateral he had posted. The most responsible bankers—those who saw that their debtors were victims of circumstances far beyond their control and sought to help—were often made to look the worst. The bankers yielded, as did others, to the blithe, optimistic, and immoral mood of the times but probably not more so. A depression such as that of 1929–32, were it to begin as this is written, would also be damaging to many currently impeccable banking reputations.

However, although the bankers were not unusually foolish in 1929, the banking structure was inherently weak. The weakness was implicit in the large numbers of independent units. When one bank failed, the assets of others were frozen while depositors elsewhere had a pregnant warning to go and ask for their money. Thus one failure led to other failures, and these spread with a domino effect. Even in the best of times local misfortune or isolated mismanagement could start such a chain reaction. (In the first six months of 1929, 346 banks failed in various parts of the country with aggregate deposits of nearly $115 million.) When income, employment, and values fell as the result of a depression bank failures could quickly become epidemic. This hap-

pened after 1929. Again it would be hard to imagine a better arrangement for magnifying the effects of fear. The weak destroyed not only the other weak, but weakened the strong. People everywhere, rich and poor, were made aware of the disaster by the persuasive intelligence that their savings had been destroyed.

Needless to say, such a banking system, once in the convulsions of failure, had a uniquely repressive effect on the spending of its depositors and the investment of its clients.

### THE DUBIOUS STATE OF THE FOREIGN BALANCE

This is a familiar story. During the First World War, the United States became a creditor on international account. In the decade following, the surplus of exports over imports which once had paid the interest and principal on loans from Europe continued. The high tariffs, which restricted imports and helped to create this surplus of exports remained. However, history and traditional trading habits also accounted for the persistence of the favorable balance, so called.

Before, payments on interest and principal had in effect been deducted from the trade balance. Now that the United States was a creditor, they were added to this balance. The latter, it should be said, was not huge. In only one year (1928) did the excess of exports over imports come to as much as a billion dollars; in 1923 and 1926 it was only about $375,000,000. However, large or small, this difference had to be covered. Other countries which were buying more than they sold, and had debt payments to make in addition, had somehow to find the means for making up the deficit in their transactions with the United States.

During most of the twenties the difference was covered by cash—i.e., gold payments to the United States—and by new private loans by the United States to other countries. Most of the loans were to governments—national, state, or municipal bodies—and a large proportion were to Germany and Central and South America. The underwriters' margins in handling these loans were generous; the public took them up with enthusiasm; competition for the business was keen. If unfortunately corruption and bribery were required as competitive instruments, these were used. In late 1927 Juan Leguia, the son of the President of



Peru, was paid $450,000 by J. and W. Seligman and Company and the National City Company (the security affiliate of the National City Bank) for his services in connection with a $50,000,000 loan which these houses marketed for Peru. Juan's services, according to later testimony, were of a rather negative sort. He was paid for not blocking the deal. The Chase extended President Machado of Cuba, a dictator with a marked predisposition toward murder, a generous personal line of credit which at one time reached $200,000. Machado's son-in-law was employed by the Chase. The bank did a large business in Cuban bonds. In contemplating these loans, there was a tendency to pass quickly over anything that might appear to the disadvantage of the creditor. Mr. Victor Schoepperle, a vice-president of the National City Company with the responsibility for Latin American loans, made the following appraisal of Peru as a credit prospect:

> Peru: Bad debt record, adverse moral and political risk, bad internal debt situation, trade situation about as satisfactory as that of Chile in the past three years. Natural resources more varied. On economic showing Peru should go ahead rapidly in the next 10 years.

On such showing the National City Company floated a $15,000,000 loan for Peru, followed a few months later by a $50,000,000 loan, and some ten months thereafter by a $25,000,000 issue. (Peru did prove a highly adverse political risk. President Leguia, who negotiated the loans, was thrown violently out of office, and the loans went into default.)

In all respects these operations were as much a part of the New Era as Shenandoah and Blue Ridge. They were also just as fragile, and once the illusions of the New Era were dissipated they came as abruptly to an end. This, in turn, forced a fundamental revision in the foreign economic position of the United States. Countries could not cover their adverse trade balance with the United States with increased payments of gold, at least not for long. This meant that they had either to increase their exports to the United States or reduce their imports or default on their past loans. President Hoover and the Congress moved promptly to eliminate the first possibility—that the accounts would be balanced by larger imports—by sharply increasing the tariff. Accordingly, debts, including war debts, went into default and there was a precipitate fall in American exports. The reduc-

tion was not vast in relation to total output of the American economy, but it contributed to the general distress and was especially hard on farmers.

### THE POOR STATE OF ECONOMIC INTELLIGENCE

To regard the people of any time as particularly obtuse seems vaguely improper, and it also establishes a precedent which members of this generation might regret. Yet it seems certain that the economists and those who offered economic counsel in the late twenties and early thirties were almost uniquely perverse. In the months and years following the stock market crash, the burden of reputable economic advice was invariably on the side of measures that would make things worse. In November of 1929, Mr. Hoover announced a cut in taxes; in the great no-business conferences that followed he asked business firms to keep up their capital investment and to maintain wages. Both of these measures were on the side of increasing spendable income, though unfortunately they were largely without effect. The tax reductions were negligible except in the higher income brackets; businessmen who promised to maintain investment and wages, in accordance with a well-understood convention, considered the promise binding only for the period within which it was not financially disadvantageous to do so. As a result investment outlays and wages were not reduced until circumstances would in any case have brought their reduction.

Still, the effort was in the right direction. Thereafter policy was almost entirely on the side of making things worse. Asked how the government could best advance recovery, the sound and responsible adviser urged that the budget be balanced. Both parties agreed on this. For Republicans the balanced budget was, as ever, high doctrine. But the Democratic Party platform of 1932, with an explicitness which politicians rarely advise, also called for a "federal budget annually balanced on the basis of accurate executive estimates within revenues . . ."

A commitment to a balanced budget is always comprehensive. It then meant there could be no increase in government outlays to expand purchasing power and relieve distress. It meant there could be no further tax reduction. But taken literally it meant much more. From 1930 on the budget was far out of balance, and balance, therefore, meant an increase in taxes, a reduction



in spending, or both. The Democratic platform in 1932 called for an "immediate and drastic reduction of governmental expenditures" to accomplish at least a 25 percent decrease in the cost of government.

The balanced budget was not a subject of thought. Nor was it, as often asserted, precisely a matter of faith. Rather it was a formula. For centuries avoidance of borrowing had protected people from slovenly or reckless public housekeeping. Slovenly or reckless keepers of the public purse had often composed complicated arguments to show why balance of income and outlay was not a mark of virtue. Experience had shown that however convenient this belief might seem in the short run, discomfort or disaster followed in the long run. Those simple precepts of a simple world did not hold amid the growing complexities of the early thirties. Mass unemployment in particular had altered the rules. Events had played a very bad trick on people, but almost no one tried to think out the problem anew.

The balanced budget was not the only strait jacket on policy. There was also the bogey of "going off" the gold standard and, most surprisingly, of risking inflation. Until 1932 the United States added formidably to its gold reserves, and instead of inflation the country was experiencing the most violent deflation in the nation's history. Yet every sober adviser saw dangers here, including the danger of runaway price increases. Americans, though in years now well in the past, had shown a penchant for tinkering with the money supply and enjoying the brief but heady joys of a boom in prices. In 1931 or 1932, the danger or even the feasibility of such a boom was nil. The advisers and counselors were not, however, analyzing the danger or even the possibility. They were serving only as the custodians of bad memories.

The fear of inflation reinforced the demand for the balanced budget. It also limited efforts to make interest rates low, credit plentiful (or at least redundant) and borrowing as easy as possible under the circumstances. Devaluation of the dollar was, of course, flatly ruled out. This directly violated the gold standard rules. At best, in such depression times, monetary policy is a feeble reed on which to lean. The current economic clichés did not allow even the use of that frail weapon. And again, these attitudes were above party. Though himself singularly open-minded, Roosevelt was careful not to offend or disturb his fol-

lowers. In a speech in Brooklyn toward the close of the 1932 campaign, he said:

> The Democratic platform specifically declares, "We advocate a sound currency to be preserved at all hazards." That is plain English. In discussing this platform on July 30, I said, "Sound money is an international necessity, not a domestic consideration for one nation alone." Far up in the Northwest, at Butte, I repeated the pledge . . . In Seattle I reaffirmed my attitude . . .

The following February, Mr. Hoover set forth his view, as often before, in a famous letter to the President-elect:

> It would steady the country greatly if there could be prompt assurance that there will be no tampering or inflation of the currency; that the budget will be unquestionably balanced even if further taxation is necessary; that the Government credit will be maintained by refusal to exhaust it in the issue of securities.

The rejection of both fiscal (tax and expenditure) and monetary policy amounted precisely to a rejection of all affirmative government economic policy. The economic advisers of the day had both the unanimity and the authority to force the leaders of both parties to disavow all the available steps to check deflation and depression. In its own way this was a marked achievement—a triumph of dogma over thought. The consequences were profound.

## V

It is in light of the above weaknesses of the economy that the role of the stock market crash in the great tragedy of the thirties must be seen. The years of self-depreciation by Wall Street to the contrary, the role is one of respectable importance. The collapse in securities values affected in the first instance the wealthy and well-to-do. But we see that in the world of 1929 this was a vital group. The members disposed of a large proportion of the consumer income; they were the source of a lion's share of personal saving and investment. Anything that struck at the spending or investment by this group would of necessity have broad



effects on expenditure and income in the economy at large. Precisely such a blow was struck by the stock market crash. In addition, the crash promptly removed from the economy the support that it had been deriving from the spending of stock market gains.

The stock market crash was also an exceptionally effective way of exploiting the weaknesses of the corporate structure. Operating companies at the end of the holding-company chain were forced by the crash to retrench. The subsequent collapse of these systems and also of the investment trusts effectively destroyed both the ability to borrow and the willingness to lend for investment. What have long looked like purely fiduciary effects were, in fact, quickly translated into declining orders and increasing unemployment.

The crash was also effective in bringing to an end the foreign lending by which the international accounts had been balanced. Now the accounts had, in the main, to be balanced by reduced exports. This put prompt and heavy pressure on export markets for wheat, cotton, and tobacco. Perhaps the foreign loans had only delayed an adjustment in the balance which had one day to come. The stock market crash served nonetheless to precipitate the adjustment with great suddenness at a most unpropitious time. The instinct of farmers who traced their troubles to the stock market was not totally misguided.

Finally, when the misfortune had struck, the attitudes of the time kept anything from being done about it. This, perhaps, was the most disconcerting feature of all. Some people were hungry in 1930 and 1931 and 1932. Others were tortured by the fear that they might go hungry. Yet others suffered the agony of the descent from the honor and respectability that goes with income into poverty. And still others feared that they would be next. Meanwhile everyone suffered from a sense of utter hopelessness. Nothing, it seemed, could be done. And given the ideas which controlled policy, nothing could be done.

Had the economy been fundamentally sound in 1929 the effect of the great stock market crash might have been small. Alternatively, the shock to confidence and the loss of spending by those who were caught in the market might soon have worn off. But business in 1929 was not sound; on the contrary it was exceedingly fragile. It was vulnerable to the kind of blow it received from Wall Street. Those who have emphasized this vulnerability

are obviously on strong ground. Yet when a greenhouse succumbs to a hailstorm something more than a purely passive role is normally attributed to the storm. One must accord similar significance to the typhoon which blew out of lower Manhattan in October 1929.

# Arthur S. Link

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IF the day has not yet arrived when we can make a definite synthesis of political developments between the Armistice and the Great Depression, it is surely high time for historians to begin to clear away the accumulated heap of mistaken and half-mistaken hypotheses about this important transitional period. Writing often without fear or much research (to paraphrase Carl Becker's remark), we recent American historians have gone on indefatigably to perpetuate hypotheses that either reflected the disillusionment and despair of contemporaries, or once served their purpose in exposing the alleged hiatus in the great continuum of twentieth-century reform.

Stated briefly, the following are what might be called the governing hypotheses of the period under discussion: The 1920's were a period made almost unique by an extraordinary reaction against idealism and reform. They were a time when the political representatives of big business and Wall Street executed a relentless and successful campaign in state and nation to subvert the regulatory structure that had been built at the cost of so much toil and sweat since the 1870's, and to restore a Hanna-like reign of special privilege to benefit business, industry, and finance. The surging tides of nationalism and mass hatreds generated by World War I continued to engulf the land and were manifested among other things, in fear of communism, suppression of civi

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