

Transcribed Excerpts from President Herbert Hoover's Letters to Senator Simeon Fess, February 21, 1933

... Today we are on the verge of financial panic and chaos. Fear for the policies of the new administration has gripped the country. People do not await events, they act. Hoarding of currency, and of gold, has risen to a point never before known; banks are suspending not only in isolated instances, but in one case an entire state. Prices have fallen since last autumn below the levels which debtors and creditors can meet. Men over the large areas are unable or are refusing to pay their debts. Hundreds of millions of orders placed before election have been cancelled. Unemployment is increasing, there are evidence of the flight of capital from the United States to foreign countries, men have abandoned all sense of new enterprise and are striving to put their affairs in defense against disaster.

Some days before election the whole economic machine began to hesitate from the upward movement of last summer fall. For some time after election it continued to hesitate development has stirred the fear and apprehension of the people. They have begun to realize what the abandonment of a successful program of this administration which was bringing rapid recovery last summer and fall now means and they are alarmed at possible new deal policies indicated by the current events. It is this fear that now dominates the national situation. It is not lack of resources, currency or credit.

The incidents which have produced this fear are clear. There was a delay by the President-elect of over two months in willingness to cooperate with us to bring about order from confusion in our economic relations. There have been a multitude of speeches, bills, and statements of democratic members of Congress and others proposing inflation or tinkering with the currency. My proposal for reduction of expenditures have been ignored to the extent of over \$200,000,000 by the Democratic House of Representatives. The differences between Democratic leaders and the President-elect over the basis of taxation with which to balance the budget caused them to reject the balancing of the budget. The publication by Democratic leaders of the House of the Reconstruction Corporation loans has caused runs on hundreds of banks, failures of many of them, and hoarding on a wide scale. There have been proposed in the Congress by Democratic leaders and publically even by the President-elect, projects involving federal expenditures of tremendous dimensions which would obviously lie beyond the capacity of the federal government to borrow without tremendous depreciation in government securities. Such proposals as the bills to assume Federal responsibility for billions of mortgages, loans to municipalities for public works, the Tennessee improvement and Muscle Shoals, are all of this order. The proposals of Speaker Garner that constitutional government should be abandoned because the Congress, in which there will be an overwhelming majority, is unable to face reduction of expenses, has started to chatter of dictatorship. The President-elect has done nothing publicly to disavow any of these proposals.

The Democratic House has defeated a measure to increase tariffs so as to prevent invasion of goods from depreciated currency countries, thus stopping increased unemployment from this source. There have been interminable delays and threatened defeat of the Glass Banking Bill, and the Bankruptcy bill ...

In the interest of every man, woman and child, the President-elect has, during the past week, been urged by the saner leaders of his own party such as Senator Glass and others, by myself, and by Democratic bankers and economists whom he has called on for advice, to stop the conflagration before it becomes uncontrollable, by announcing firmly and at once (a) that the budget will be balanced even if it means increased taxation (b) new projects will be so restricted that government bond issues will not in any way endanger stability of government finances; (c) there will be no inflation or tampering with the currency; to which some have added that as the Democratic party coming in with an overwhelming majority in both houses, there can be no excuse for abandonment of Constitutional processes.

The President-elect is the only man who has the power to give assurances which will stabilize public mind as he alone can execute them. Those assurances should have been given before now but must be given at once if the situation be greatly helped. It would allay some fear and panic whereas delay will make the situation more acute.

The present administration is devoting its days and nights to put out the fires or to localize them. I have scrupulously refrained from criticism which is well merited, but have instead been giving repeated assurances to the country of our desire to cooperate and help the new administration. What is need if the country is not to drift into great grief, is the immediate and emphatic restoration of confidence in the future. The resources of the country are incalculable, the available credit is ample but lenders will not lend, and men will not borrow unless they have confidence. Instead they are withdrawing their resources and their energies. The courage and enterprise of the people still exist and only away release from fears and apprehension.