The Original Supply Siders: Warren Harding and Calvin Coolidge
Author(s): John A. Moore
Source: *The Independent Review*, Vol. 18, No. 4 (Spring 2014), pp. 597-618
Published by: Independent Institute
Stable URL: https://www.jstor.org/stable/24563172
Accessed: 31-12-2019 17:57 UTC

JSTOR is a not-for-profit service that helps scholars, researchers, and students discover, use, and build upon a wide range of content in a trusted digital archive. We use information technology and tools to increase productivity and facilitate new forms of scholarship. For more information about JSTOR, please contact support@jstor.org.

Your use of the JSTOR archive indicates your acceptance of the Terms & Conditions of Use, available at https://about.jstor.org/terms

JSTOR

Independent Institute is collaborating with JSTOR to digitize, preserve and extend access to *The Independent Review*

This content downloaded from 132.174.250.228 on Tue, 31 Dec 2019 17:57:52 UTC
All use subject to https://about.jstor.org/terms

The Original Supply Siders

Warren Harding and Calvin Coolidge

JOHN A. MOORE

> A Republican Congress reduced the estimates submitted by the Administration almost three billion dollars. Greater economies could have been effected had it not been for the stubborn refusal of the Administration to co-operate with Congress in an economy program. The universal demand for an executive budget is a recognition of the incontrovertible fact that leadership and sincere assistance on the part of the executive departments are essential to effective economy and constructive retrenchment.
>
> We pledge ourselves to a carefully planned readjustment on a peace time basis and to a policy of rigid economy, to the better co-ordination of departmental activities, to the elimination of unnecessary officials and employees, and to the raising of the standard of individual efficiency.
>
> —Republican Party Platform, June 8, 1920

Presidents Warren Harding (1921–23) and Calvin Coolidge (1923–29) oversaw one of the most successful and productive economic periods in American history between 1921 and 1928. They attempted to reverse key elements of the statism introduced into the American economy between 1900 and 1920. Their

John A. Moore is a professor of finance and economics at Walsh College.

The Independent Review, v. 18, n. 4, Spring 2014, ISSN 1086–1653, Copyright © 2014, pp. 597–618.

This content downloaded from 132.174.250.228 on Tue, 31 Dec 2019 17:57:52 UTC
All use subject to https://about.jstor.org/terms

policies incentivized private-sector growth and improved the circumstances of the vast majority of American citizens.

The nation's economic success during this period can be measured in several ways. Production, as measured by real gross domestic product (GDP) per capita, sharply increased. Real wages rose strongly. The unemployment rate fell, remaining below 5 percent after 1924. Income tax rates were lowered. Federal government costs were reduced. The national debt shrank.

These claims conflict with the low esteem that historians have generally expressed for Harding and Coolidge. Three prominent rankings of American presidents by "experts" over the past half-century ranked Harding dead last. Coolidge fares only slightly better, positioned in the bottom quartile of the same surveys (Denson 2001, 5–6).

Largely undone by the New Deal and then forgotten, Harding's policies merit renewed attention because they guided the country out of recession and into prosperity in a remarkably short period. Curiously, modern advocates for a smaller government and reduced taxes look to the recent Reagan administration as an example. Harding's administration was actually the first to successfully apply these general principles.

Although Coolidge's reputation has been partially retrieved in recent years through favorable biographies by Robert Sobel (1998) and Amity Shlaes (2013), Harding's reputation remains badly tarnished. His administration was scandalized by the Teapot Dome debacle and the dishonest dealings of cabinet officials Albert Fall and Harry Daugherty. The most credible biography of Harding dates back to 1968, when Francis Russell penned *The Shadow of Blooming Grove,* a work that did little to polish Harding's image. John Hicks declared that "the election of 1920 still stands as one of the greatest affronts to the democratic process that the American record affords" (1960, 33). Ironically, Hicks conceded that "voters gave Harding, whose unfitness for the Presidency could hardly have been more obvious, the highest percentage of the popular vote achieved by any presidential candidate since well before the Civil War" (33).

Harding's poor reputation among historians and political experts is understandable given his personal faults, the scandals that tore apart his presidency, and his inability to exhibit strong leadership skills. Did he select his cronies Fall for interior secretary and Daugherty as attorney general? Yes, Harding is guilty on that count. Did the president participate in multiple extramarital affairs? He is also likely guilty on this count. Was alcohol regularly served in the White House during Prohibition? Yes, another guilty verdict.

This evidence rightly highlights Harding's very poor judgment in appointing two unworthy friends to cabinet posts and indicts him on questionable morals and leadership. However, these shortcomings should not detract from the very successful economic policies Harding initiated after taking office.

Harding started a revolution in economic policy upon taking office in 1921. His initiatives were premised on a firm belief that the private sector was the most critical

This content downloaded from 132.174.250.228 on Tue, 31 Dec 2019 17:57:52 UTC
All use subject to https://about.jstor.org/terms

component of national prosperity and that government should take as minimal a role as possible in managing the economy. To achieve optimal results, the federal government should do its utmost to lower tax rates, cut expenditures by eliminating unnecessary costs, and reduce the national debt.

Although Harding erred grievously in allowing Fall, Daugherty, and other members of the "Ohio Gang" into the inner circles of his administration, he also deserves credit for selecting two outstanding individuals to run the administration's economic and financial affairs. Andrew Mellon was selected as treasury secretary, a post that he would hold for eleven years spanning three presidential administrations. Charles Dawes became the first director of the Bureau of the Budget and would serve in that capacity during Harding's term in office. Mellon and Dawes played integral roles in ensuring that Harding's economic views were transformed into policy, and they were joined in cabinet meetings by Vice President Calvin Coolidge. As early as summer 1920, a *Wall Street Journal* contributor suggested that the vice presidential candidate was "a thorough student of political economy" who might "make a good president" ("Coolidge, Quiet, Simple" 1920). Coolidge became the first vice president to regularly participate in cabinet meetings (Coolidge 1929, 155).

Both Harding and Coolidge aimed to reduce government's role in the nation's economy even as the country modernized after World War I. Both men clearly expressed their goals and objectives in speeches. They translated their vision into reality through a number of clear legislative initiatives. The national economic results from 1921 to 1928 demonstrate that their efforts succeeded, particularly in comparisons with the economy immediately before and after their terms.

The United States in 1920

In 1920, Warren Harding was elected president, drubbing Democrat opponent James Cox in the Electoral College 404 to 127 and in the popular vote 16.2 to 9.1 million. The 26.2 percent winning margin in the popular vote is the largest in American presidential history. Republicans also retained control of the Sixty-Seventh Congress, capturing the House by 301 to 131 seats and the Senate by 59 to 37, while picking up 61 House and 10 Senate seats in the landslide victory (Carter et al. 2006, 5:174, 201).

The United States was in the midst of profound and defining change. Domestically, national politics had been deeply impacted since 1900 by the progressivism of the Roosevelt and Wilson presidencies. Internationally, American participation in the Great War vaulted the United States into the upper echelon of world powers, a role the Wilson administration handled awkwardly during the Paris Peace Conference in 1919.

Subtle changes were altering the demographics and daily living patterns of ordinary American citizens. The 1920 census marked the first time that more people inhabited urban rather than rural communities. New technologies and innovations

This content downloaded from 132.174.250.228 on Tue, 31 Dec 2019 17:57:52 UTC
All use subject to https://about.jstor.org/terms

improved standards of living. The automobile industry was the most visible manifestation of change as annual production increased from 2.3 million to 3.8 million units, and total registrations rose from 12.3 to 24.7 million vehicles between 1922 and 1928 (Carter et al. 2006, 1:104, 3:116–18, 4:830). Concurrently, commercial applications in the fields of radio, movies, and air travel slowly integrated into the nation's cultural and economic mainstream. Even established industries, such as retailing, benefitted from practical innovations such as the first self-serve grocery store, introduced by Piggly Wiggly in 1916 (Strasser 1989, 248).

Two major pieces of progressive legislation in 1913 greatly changed the federal government's ability to actively participate in and influence the national economy. Passage of the Sixteenth Amendment established a national income tax, greatly enhancing the federal government's ability to raise revenues and conduct fiscal policy initiatives. That same year Congress ratified the Federal Reserve Act, creating a central bank and a conduit through which government could impact the economy through monetary policy.

World War I necessitated yet another change, a massive federal government buildup to field the American military. Between 1901 and 1916, federal expenditures increased only from $0.5 billion to $0.7 billion. Direct entry into the war caused federal expenditures in 1917, 1918, and 1919 to explode to $1.1 billion, $12.7 billion, and $18.5 billion, respectively—a twenty-six-fold increase in just three years (Carter et al. 2006, 5:80).

The Great War's costs required funding mechanisms. The new income tax provided one source. In 1918, the top marginal personal income tax rate was increased to 70.3 percent, but "internal revenues" covered only 22 percent of that year's increase in federal operating costs. Instead, the war's buildup was financed primarily through borrowing. The national debt, only $1.2 billion in 1916, increased to a staggering $25.5 billion by 1919 (Carter et al. 2006, 5:114).

As the 1920 elections unfolded, it became obvious that the national economic boom, fueled by international war, was facing postbellum dislocation. GDP had peaked to all-time-high levels of $77 billion and $87 billion in 1919 and 1920, respectively, but began to fall thereafter (Carter et al. 2006, 3:25). Manufacturers started switching back to peacetime production and military personnel came home. Two million servicemen returned stateside during 1919, swelling the labor pool. American agriculture was hit particularly hard as food prices, artificially stimulated by war, plunged by almost two-thirds between the summers of 1920 and 1921. Wholesale prices, which rose from an index value of 69.5 in 1915 to a high of 154.4 in 1920 (1926 =100), dropped precipitously to 97.6 the following summer (Trani and Wilson 1977, 11–13). Industrial production fell 23 percent (Meltzer 2003, 109). All of this bad news came to a head in 1921, when GDP fell to $74 billion, a sharp 15 percent drop from the prior year (Carter et al. 2006, 3:25). To make matters worse, the unemployment rate rapidly rose, reaching 11.3 percent that same year (Carter et al. 2006, 2:82).

This content downloaded from 132.174.250.228 on Tue, 31 Dec 2019 17:57:52 UTC
All use subject to https://about.jstor.org/terms

Harding's new administration faced serious economic issues as the new president was sworn into office in March 1921. The nation was clearly in a steep recession. The dangerous situation represented a major impediment to any hope of returning the nation to "normalcy."

The Harding Presidency (1921–1923)

Warren Harding's administration deserves immense credit for executing a swift, clearly articulated, and well-executed response to the crisis at hand. Later, the Coolidge administration continued the Harding's initiatives. The common bonds linking these two presidencies were Coolidge, Mellon, and Dawes, the core brain trust behind the economic policies of the 1920s.

The Harding economic agenda distinctly veered away from the status quo. The priority was to establish accountability within the federal government. Harding's key achievements, continued by Coolidge, validate why this episode in American economic history deserves attention. The Harding–Coolidge era represents the only time during the twentieth century when the federal government reduced its nonmilitary expenditures in absolute terms. The hallmark events guiding this process included income tax reform featuring reduced rates and reduced federal government spending, accomplished through the General Accounting Office, which was established in 1921. Harding introduced the first federal budget process under the competent leadership of Dawes. Importantly, these policies were introduced during the post–World War I recession, and the national economy rapidly recovered.

The new president articulated his economic goals during his Inaugural Address in March 1921 by assessing the impact of the Great War on the American economy: "We contemplate the immediate task of putting our public household in order. We need a rigid and yet sane economy, combined with fiscal justice, and it must be attended by individual prudence and thrift. . . . The economic mechanism is intricate and its parts interdependent, and has suffered the shocks and jars incident to abnormal demands, credit inflations, and price upheavals. . . . We must seek the readjustment with care and courage." Harding continued, noting that government activism was not the way to restore prosperity, that "no altered system will work a miracle. Any wild experiment will only add to the confusion. Our best assurance lies in efficient administration of our proven system." He concluded by advocating for "[a]dministrative efficiency, for lightened tax burdens, for sound commercial practices . . . for the omission of unnecessary interference of government with business, for an end to government's experiment in business, and for more efficient business in government administration" (in Hunt 1997, 343). Harding's statements clearly rejected the progressivism that had dominated American economic policy for the previous two decades.

Later, in July 1921, Harding reiterated his economic vision in a speech to New York's Academy of Political Science. He noted that "[e]verywhere we turn we note that government has in recent time assumed a more complex relationship to the

This content downloaded from 132.174.250.228 on Tue, 31 Dec 2019 17:57:52 UTC
All use subject to https://about.jstor.org/terms

public than it ever sustained before . . . [but] government is not under the necessity to earn profits nor to obey laws which regulate competition. These are the prime guaranties of efficiency and fair dealing in private business. They do not apply to government, and therefore government should be placed, as far as possible, under a strict sway of the methods which are applied in private business to secure these ends." Harding announced that the administration would implement a comprehensive budgeting system the next fiscal year, explaining that "nothing is easier in a government establishment than to continue in existence offices, positions, employments, once they are created. It requires persistent, determined, stony-hearted devotion to the public interest to abolish them. There must be utter sacrifice of all sympathy for the place holder whose real reason for keeping his position is that he wants the salary" (Harding 1921, 99–103).

The administration's economic agenda included three key points. The first was to reduce tax burdens on the American public. The second was to instill a new culture of pragmatic frugality within government. Lastly, the federal government could not engineer economic prosperity. Instead, it needed to stand aside and allow the private sector to lead the recovery process.

Despite the decisive Republican victory in the 1920 elections, the Harding administration faced serious obstacles to putting its economic vision into action. The Republican Party was badly split between its conservative and progressive wings, a situation twenty years in the making. Party stress was exposed in the 1912 presidential election, when the conservatives nominated William Howard Taft as the party's candidate, only to face a revolt by progressives, who bolted and separately ran Teddy Roosevelt as the "Bull Moose" candidate.

Republicans exhibited improved party discipline in the 1920 presidential election, but the sharply contrasting outlooks of the two disparate party branches remained. Harding's conservative bloc was in firm control of the executive branch, but minority progressives, led by Wisconsin senator Robert La Follette, were sufficient in number to be a potential roadblock for the Harding agenda in Congress. Neither La Follette's cadre of twenty-seven senators nor a bloc of almost a hundred Republican representatives in the House could be counted on to support administration initiatives. This intraparty problem proved particularly irksome when Mellon tried to attain his tax policy goals (Russell 1968, 458; Trani and Wilson 1977, 66).

The first pillar of the administration's economic plan was lowering taxes, a task spearheaded by the Treasury secretary. Mellon, sixty-five years old in 1920, had already led a distinguished career as a banker and venture capitalist. Herbert Hoover said of him that "on the balance sheet of national welfare Andrew Mellon should be credited with having added to both the material and spiritual assets of America" (Hoover 1952, 60). Mellon sought to roll back income tax rates, hoping to spur economic investment. The Wilson administration had raised taxes significantly during the war but didn't reduce them once hostilities ended in November 1918. In 1921, Mellon's proposed tax reductions bogged down in both the House and the Senate.

This content downloaded from 132.174.250.228 on Tue, 31 Dec 2019 17:57:52 UTC
All use subject to https://about.jstor.org/terms

Instead of dropping the top marginal tax rate to 32 percent, as the Treasury secretary desired, Congress dropped the rate to 55 percent, and for lower tax brackets the marginal rate remained unchanged (Cannadine 2007, 287–88). Mellon managed to procure additional modest rate reductions over the next two years, but resistance from the La Follette coalition stymied efforts to significantly reduce tax rates across the board (see table 1).

A simultaneous effort to reduce unnecessary government expenditures was spearheaded by Charles Dawes of Illinois. Dawes, like Mellon, was recruited from the private sector. He employed a "business perspective" within the new Bureau of Budget, which Congress authorized in 1921. Dawes concluded that government could benefit from applying private-sector practices, noting that "the administrative vice-president of an ordinary corporation becomes a conduit upon the business organization in the interest of unified executive plan and policy. Unfortunately, however, our governmental Cabinets have always been a conduit for the transmission of pressure from the body of the business organization upward for complete departmental independence." To replicate a private-sector environment, Dawes called for positive budget performance to become a criterion for bureau chief promotions and salary increases (Timmons 1953, 205–7).

Dawes served as budget director from July 1921 to June 1922, dramatically reducing federal expenditures by $1.77 billion. Although some of these savings were accomplished through a reduction in military expenditures, discretionary spending

Table 1
U.S. Federal Marginal Tax Rates by Annual Income Level, 1917–1928

Year	$5,000	$10,000	$50,000	$100,000	$1,000,000
			Wilson Marginal Tax Rates (%)		
1917	2.4	4.0	10.4	16.2	47.5
1918	4.8	9.5	22.3	35.2	70.3
1919	3.2	6.7	18.5	31.3	66.3
1920	3.2	6.7	18.5	31.3	66.3
			Harding/Coolidge Marginal Tax Rates (%)		
1921	3.2	6.7	18.5	31.3	66.3
1922	3.2	6.0	17.4	30.2	55.1
1923	2.4	4.5	13.1	22.7	41.3
1924	1.2	2.3	12.3	22.7	43.0
1925	0.8	1.5	9.9	16.1	24.1
1926	0.8	1.5	9.9	16.1	24.1
1927	0.8	1.5	9.9	16.1	24.1
1928	0.8	1.5	9.3	15.8	24.1

Source: Carter et al. 2006, 5:114.

This content downloaded from 132.174.250.228 on Tue, 31 Dec 2019 17:57:52 UTC
All use subject to https://about.jstor.org/terms

was reduced by $922 million, representing a 45 percent decrease from the previous year. The Bureau of Budget itself expended only about half of its budget (Timmons 1953, 209).

The final element of the Harding economic plan was to refrain from intervening in or trying to stimulate the economy, even in the face of a recession. In 1921, the president opposed paying a bonus to veterans on the grounds that it would be fiscally irresponsible and detrimental to economic recovery. Harding commented that "a small bonus to ex-service men at this time would be a poor palliative to the millions who are faced with unemployment," and he eventually went so far as to address Congress in person to make his views clearly known ("Harding Says Bonus Would Imperil Country" 1921; Trani and Wilson 1977, 64–65). Treasury Secretary Mellon also firmly opposed the politically popular initiative, and it was reported that "he was not afraid to stand in opposition to the Soldier's Bonus bill at a time when the preponderance of sentiment in Congress was for it and the president was wavering. . . . [A]fter calculating the Government's financial position he did not see any way of paying the bonus without legislating some new source of revenue" ("Mellon: Cabinet Anchor" 1922). The following year, another bonus bill passed overwhelmingly in both the House and the Senate, but Harding promptly vetoed it despite the negative political repercussions for the upcoming midterm elections (Trani and Wilson 1977, 78–79).

The Harding administration's economic accomplishments over the next four years were nothing short of remarkable, an assessment supported by clear evidence. American real GDP per capita (measured in 1996 dollars) had been $5,401 in 1920 but rebounded to $6,016 by 1923, an impressive increase of 11.4 percent in only three years. At the same time, the national debt shrank from $24.3 billion to $22.3 billion, driven by an economy that produced three consecutive federal surpluses. Annual expenditures, $6.4 billion in 1920 in the aftermath of the Great War, were reduced by 1923 to only $3.1 billion. Federal revenues were simultaneously reduced, dropping during the same time frame from $6.6 billion to $4.0 billion (Carter et al. 2006, 3:24, 5:80).

As early as fall 1921, Harding was willing to offer that "surveying the national situation as a whole, it is plain that we are working our way out of a welter of waste and prodigal spending at a most impressive rate" (qtd. in "'Working Way Out of Waste'" 1921). Tables 2 and 3 summarize the rebound of the economy to levels that surpassed the war years while the scope of government was simultaneously contained. The dire economic circumstances of 1921 stabilized in 1922. By 1923, the nation was enjoying genuine prosperity.

At the same time that the national economy rebounded, federal government finances stabilized. In the midst of the economic crisis, Harding's administration consciously scaled back the size of government.

A notable exception to Harding's general goal of containing governmental activism was in trade policy. During the postwar recession, American farmers were hardest hit by economic changes. Agricultural exports fell from $3.9 billion in

This content downloaded from 132.174.250.228 on Tue, 31 Dec 2019 17:57:52 UTC
All use subject to https://about.jstor.org/terms

Table 2.
U.S. Economic Output, 1917–1924 (in Dollars)

Year	Nominal GDP	Real GDP (1996 Dollars)	Real GDP per Capita (1996 Dollars)
		Wilson	
1917	52.05 billion	531.78 billion	5,142
1918	66.82 billion	581.18 billion	5,559
1919	76.57 billion	583.75 billion	5,556
1920	87.06 billion	574.99 billion	5,401
		Harding/Coolidge	
1921	73.94 billion	560.93 billion	5,168
1922	72.82 billion	594.39 billion	5,401
1923	84.91 billion	673.49 billion	6,016
1924	87.02 billion	690.09 billion	6,048

Source: Carter et al. 2006, 1:31, 3:24.

1919–20 to only $1.9 billion in 1921–22, and the per capita net income of farmers fell 62 percent during that time (Soule 1947, 230–34).

In response to agricultural special interests, Congress passed an emergency tariff bill in May 1921 to last for six months awaiting a permanent policy arrangement. The long-term solution was slow in coming. Although the House passed what was eventually to become the Fordney–McCumber Tariff on July 21, 1921, it bogged down in the Senate, where more than two thousand amendments were

Table 3
U.S. Federal Budget and Debt, 1917–1924 (billions of dollars)

Year	Revenues	Expenses	Net Balance	Federal Debt	Debt-to-GDP Ratio (%)
			Wilson		
1917	1.10	1.95	−.85	2.98	3.9
1918	3.65	12.68	−9.03	12.46	8.9
1919	5.13	18.49	−13.36	25.48	17.5
1920	6.65	6.36	.29	24.30	23.1
			Harding/Coolidge		
1921	5.57	5.06	.51	23.98	28.3
1922	4.03	3.29	.74	22.96	31.2
1923	3.85	3.14	.71	22.35	29.4
1924	3.87	2.91	.96	21.25	28.4

Source: Carter et al. 2006, 3:25, 5:81.

This content downloaded from 132.174.250.228 on Tue, 31 Dec 2019 17:57:52 UTC
All use subject to https://about.jstor.org/terms

added in response to a lobbying barrage from virtually all economic sectors. The final legislation was highly protectionist (Trani and Wilson 1977, 61, 73–74).

As the process dragged on, the bill's fate increasingly became tied to the upcoming elections. The *Chicago Tribune* reported that "in view of the increasing evidence of the unpopularity of the McCumber–Fordney Tariff bill, particularly in the large cities of the country, some Republican leaders have begun to doubt the wisdom of passing the measure on the eve of the Congressional election. . . . [T]he impression that the bill carries protective duties higher even than the Payne–Aldrich law and will operate to increase the cost of living is becoming widespread" ("Tariff May Be Shelved" 1922). Harding signed the final version into law in September 1922 (Trani and Wilson 1977, 73–74).

Fordney–McCumber ultimately proved to be less effective than its many supporters had hoped. Commerce Secretary Herbert Hoover reported in December that "under the most gloomy view only 4 to 6 per cent of the American import trade would come under the influence of the Fordney-McCumber law." Even skeptics acknowledged that although Hoover's number might be contested, an upward revision might amount to only about 8 percent ("How Hoover Figures Our Tariff" 1922). Although this high tariff has been roundly criticized by both historians and economists as bad policy, the record shows that it placed little detriment on the American economy. The ratio of imports to GDP from 1921 through 1924 was 4.4 percent, 4.8 percent, 4.9 percent, and 4.6 percent, respectively (Carter et al. 2006, 1:31, 3:24, 5:508). Fordney–McCumber simply did not encumber imports in the postwar years and therefore did not have the negative impact that the Smoot–Hawley Tariff would have a decade later.

A more meaningful accommodation to agricultural interests was passage of the Capper–Volstead Act in 1922, which broadened farmers' ability to create cooperatives without running afoul of antitrust laws. Although this law provided some short-term relief to the farming interests, farmers were never able to coordinate production sufficiently to prevent a general fall in agricultural prices. Growing frustration eventually led to later proposals for farm subsidies during the Coolidge administration and further tariff protection during the Hoover administration (Hoffman and Libecap 1991, 404–10).

Republican concerns about the midterm elections proved well founded. The administration's position on Fordney–McCumber and the Soldier's Bonus bill certainly had some impact on the election results. The Republicans retained majorities in both chambers of Congress, but lost seventy-six House and eight Senate seats (Carter et al. 2006, 5:174).

In just two years, Warren Harding's administration oversaw stunning economic results despite challenging times. The American economy was rejuvenated in part by the successful execution of the Harding agenda. Mellon succeeded in reducing tax rates, though to a lesser degree than he wished. Dawes achieved impressive tangible results in reducing federal government costs. As important, the Harding administration

This content downloaded from 132.174.250.228 on Tue, 31 Dec 2019 17:57:52 UTC
All use subject to https://about.jstor.org/terms

refrained from expanding the scope of the state, as in the example of the Soldier's Bonus bill, and, but for the minor exception of Fordney–McCumber, left the private business sector on its own to spearhead economic recovery.

The Coolidge Administration (1923–1929)

On August 2, 1923, Warren Harding died. Calvin Coolidge was sworn in as president and declared immediately his intent to retain Harding's policies. The *Wall Street Journal* reported that "President Coolidge, at his first press conference . . . said that the policies already announced by the late President Harding would be followed by him. He said he did not care to qualify that statement at all" ("Harding Policies Stand" 1923). Early in 1924, it was further reported that "President Coolidge intends to continue as the active leader in the Administration's fight for the adoption of the tax reduction legislation. He is hopeful that the Soldier's Bonus bill will be defeated in Congress, but is definitely determined to veto such a bill if it is sent to him" ("Coolidge Will Lead Fight" 1924).

In 1924, Coolidge was elected in his own right, winning the second-largest popular margin in American history, 15.7 million votes to Democratic challenger John Davis's 7.3 million, and 382 of 531 electoral votes. The Republicans improved their congressional majorities, 247 to 183 in the House and 56 to 39 in the Senate (Carter et al. 2006, 5:174, 201). The election affirmed Republican policies.

There is little doubt that Calvin Coolidge was highly esteemed in his time. On January 6, 1933, after Franklin Roosevelt's election, the *New York Times* nostalgically offered its readers a column entitled "Coolidge Symbol of Prosperity Era." The piece noted that "Coolidge established himself before the people as the official symbol of prosperity, a staunch advocate of government economy. . . . Mr. Coolidge was considered to have had the best political training for a high office of any man who occupied the Presidency in a generation. He had been elected to twenty-one offices before becoming President . . . and was familiar not only with the practical side of politics but knew public questions and was prepared to deal with legislators."

In 1924, the Coolidge administration resurrected Mellon's effort to further reduce income tax rates (Sobel 1998, 310). Coolidge stated in his 1924 State of the Union Address that "the country is now feeling the direct stimulus which came from the passage of the last revenue bill. . . . I am convinced that the larger incomes of the country would actually yield more revenue to the government if the basis of taxation were scientifically revised downward." Coolidge had stated at his inauguration that "I want the people of America to be able to work less for the government and more for themselves. . . . [U]ntil we can re-establish a condition under which the earnings of the people can be kept by the people, we are bound to suffer a very distinct curtailment of our liberty" (qtd. in Hunt 1997, 350).

Treasury Secretary Mellon marketed his crusade for lowered tax rates by publishing a book entitled *Taxation: The People's Business*. In it, he summarized the

This content downloaded from 132.174.250.228 on Tue, 31 Dec 2019 17:57:52 UTC
All use subject to https://about.jstor.org/terms

goals of prudent tax policy: "[it must] produce sufficient revenue for the Government; it must lessen . . . the burden of taxation on those least able to bear it; and it must also remove those influences which might retard the continued steady development of business and industry on . . . which so much of our prosperity depends." Mellon argued that high tax rates were actually detrimental, stating that "the present high rates of surtax are bringing in each year progressively less revenue to the Government . . . but it is estimated that by cutting the surtaxes in half, the Government . . . will receive more revenue from the owners of large incomes at the lower rates of tax than it would have at the higher rates." He also advocated that tax policy must be neutral, opining that "I have never viewed taxation as a means of rewarding one class of taxpayers or punishing another. If such a point of view ever controls our public policy, the traditions of freedom, justice and equality of opportunity, which are the distinguishing characteristics of our American civilization, will have disappeared and in their place we shall have class legislation with all its attendant evils" (1924, 9, 11, 17).

Mellon received his targeted tax rates in 1924 but was dismayed that the final bill increased gift and estate taxes. He finally achieved his goals in 1926 when Congress also agreed to his gift and estate tax initiatives (Cannadine 2007, 315–18). Mellon's proposals were controversial, and opponents, such as Representative Fiorello LaGuardia of New York, heavily criticized them as catering to upper-class interests, despite the fact that only 2 percent of Americans paid income tax under the Mellon system (Ferrell 1998, 171–75).

President Coolidge also continued the Harding agenda priority to lower the national debt. The federal debt had fallen an impressive $3 billion between 1920 and 1924, but Coolidge did even better, lowering it by another $3.5 billion over the following four years (see table 4). In his estimation, reducing the national debt was "the predominant necessity of the country . . . the very largest internal improvement . . . possible to conceive" (qtd. in Ferrell 1998, 168).

A key accomplishment of the Harding–Coolidge era was stabilizing federal revenue sources. Table 5 details the major categories of revenue. In contrast to the Wilson wartime years and the subsequent Hoover years, total federal revenues per annum between 1922 and 1928 ranged within a very tight band, between $3.64 billion to $4.03 billion. Each of the four major revenue categories were also very consistent. Tariff proceeds, composing only 10 to 15 percent of the federal revenues, actually increased following passage of the Fordney–McCumber Tariff, demonstrating its negligible negative impact.

A detailed review of expenditures between 1921 and 1928 confirms that both Harding and Coolidge were equally successful controlling expenditures. Table 6 summarizes the four major categories of spending, of which military, pensions, and interest were essentially nondiscretionary. Within a year after taking office, the Harding administration reduced discretionary expenses to prewar levels. Other expenditures remained relatively constant between 1922 and 1928, ranging between

This content downloaded from 132.174.250.228 on Tue, 31 Dec 2019 17:57:52 UTC
All use subject to https://about.jstor.org/terms

Table 4
U.S. Federal Budget and Debt, 1925–1932 (billions of dollars)

Year	Revenues	Expenses	Net Balance	Federal Debt	Debt-to-GDP Ratio (%)
			Coolidge		
1925	3.64	2.92	.72	20.52	25.9
1926	3.80	2.93	.87	19.64	23.2
1927	4.01	2.86	1.15	18.51	21.4
1928	3.90	2.96	.94	17.60	19.9
			Hoover		
1929	3.86	3.13	.73	16.93	18.4
1930	4.06	3.32	.74	16.19	17.8
1931	3.12	3.58	−.46	16.80	18.3
1932	1.92	4.66	−2.74	19.49	21.0

Source: Carter et al. 2006, 3:25, 5:81.

$1.05 billion and $1.27 billion per year. The Wilson and Hoover administrations couldn't claim similar discipline of the national purse strings.

Both Harding and Coolidge were personally involved in the efforts to rein in federal spending. In summer 1923 at Princeton University's dedication of its Memorial Monument, Harding was credited with "his capable handling of complicated difficulties, his immense patience. . . . [T]he sweeping away of extravagant waste and the forming of a budget system show him a master of finance" (qtd. in Russell 1968, 539). Coolidge was even more directly involved, maintaining regular Friday morning meetings with his budget director, when they would look for opportunities to reduce costs. In late 1923, for example, they informed the Veterans' Bureau that a proposed budget cut of 5 percent was insufficient and should be doubled (Shlaes 2013, 254–55, 262). Although both men were intimately involved in economy of government, their budgetary actions were simply the means to a far more important end. Coolidge, in his 1925 Inaugural Address, neatly summed up the "ends" of the process, stating: "I favor the policy of economy, not because I wish to save money, but because I wish to save people. . . . Every dollar that we carelessly waste means that their life will be so much more the meager. Every dollar that we prudently save means that their life will be so much more abundant. Economy is idealism in its most practical form" (qtd. in Johnson 2013, 235).

In contrast to staying the course on President Harding's budget and tax policies, Coolidge stemmed protectionist efforts in the wake of Fordney–McCumber. Congress twice passed the McNary–Haugen bill during Coolidge's term, which proposed export subsidies to farmers. Coolidge vetoed the legislation both times, preferring that market forces dictate the long-term agricultural output in lieu of

This content downloaded from 132.174.250.228 on Tue, 31 Dec 2019 17:57:52 UTC
All use subject to https://about.jstor.org/terms

Table 5
U.S. Federal Budget Revenue Details, 1917–1932 (billions of dollars)

Year	Tariffs	Internal Revenues	Other Revenues and Transfers	Total Revenues	Tariff Rate (%) on All Imports	Tariff Rate (%) on Dutiable Imports
			Wilson			
1917	.22	.81	.07	1.10	7.0	26.3
1918	.18	3.19	.28	3.65	5.8	23.7
1919	.18	4.32	.63	5.13	6.2	21.3
1920	.32	5.41	.92	6.65	6.4	16.4
			Harding/Coolidge			
1921	.31	4.60	.66	5.57	11.4	29.5
1922	.36	3.21	.46	4.03	14.7	38.1
1923	.56	2.62	.67	3.85	15.2	36.2
1924	.55	2.80	.53	3.87	14.9	36.5
			Coolidge			
1925	.55	2.59	.50	3.64	13.2	37.6
1926	.58	2.84	.38	3.80	13.4	39.3
1927	.60	2.87	.54	4.01	13.8	38.8
1928	.57	2.79	.54	3.90	13.3	38.8
			Hoover			
1929	.60	2.94	.32	3.86	13.5	40.1
1930	.59	3.04	.43	4.06	14.8	44.7
1931	.38	2.43	.31	3.12	17.8	53.2
1932	.33	1.56	.03	1.92	19.6	59.1

Source: Carter et al. 2006, 5:84, 512.

artificially supporting excessive production (Soule 1947, 247). He was less successful regarding the veterans bonus issue. Congress again passed a Soldiers' Bonus bill in 1924 and then overrode Coolidge's veto (Hicks 1960, 52).

In summary, Harding inherited a postwar recession. As a result of his administration's prompt action private-sector confidence was restored and the economy bottomed out in July 1921, just four months after the president assumed office (Meltzer 2003, 117). Although Harding is frequently viewed as a weak president, his words and policies regarding the nation's economy suggest otherwise. Coolidge stayed Harding's economic course, and both administrations accomplished well-executed policy. By the time of Coolidge's presidency, the high unemployment at the start of Harding's term was reduced to between 3 and 5 percent (Carter et al.

This content downloaded from 132.174.250.228 on Tue, 31 Dec 2019 17:57:52 UTC
All use subject to https://about.jstor.org/terms

Table 6
U.S. Federal Budget Expenses, 1917–1932 (billions of dollars)

Year	Military	Pensions	Interest	Other	Total Expenses
			Wilson		
1917	.62	.16	.02	1.15	1.95
1918	6.15	.18	.19	6.16	12.68
1919	11.01	.22	.62	6.64	18.49
1920	2.36	.21	1.02	2.77	6.36
			Harding/Coolidge		
1921	1.77	.26	1.00	2.03	5.06
1922	.94	.25	.99	1.11	3.29
1923	.73	.26	1.06	1.09	3.14
1924	.69	.23	.94	1.05	2.91
			Coolidge		
1925	.72	.22	.88	1.10	2.92
1926	.68	.21	.83	1.21	2.93
1927	.69	.23	.79	1.15	2.86
1928	.73	.23	.73	1.27	2.96
			Hoover		
1929	.79	.23	.68	1.43	3.13
1930	.84	.22	.66	1.60	3.32
1931	.84	.24	.61	1.89	3.58
1932	.84	.23	.60	2.99	4.66

Source: Carter et al. 2006, 5:93.

2006, 2:82). The nation's economic performance between 1922 and 1928 validates the wisdom and targeted outcomes of the Harding–Coolidge economic agenda.

Elephants in the Room?

Despite the objective record of economic success during the Harding–Coolidge era, many historians and economists have leveled revisionist criticisms against these two presidents. These criticisms merit consideration and response. In general terms, the revisionist critique can be identified as the "New Deal Narrative." Those who admire the New Deal argue that Franklin Roosevelt's interventionist fiscal policies saved the United States from financial collapse.

In order to validate the New Deal Narrative, a culprit needs to be identified. The most popular villain is the Republican economic policies of the 1920s, which are

This content downloaded from 132.174.250.228 on Tue, 31 Dec 2019 17:57:52 UTC
All use subject to https://about.jstor.org/terms

described as a period of unbridled free-market capitalism. New Deal Narrative advocates generally lump Harding, Coolidge, and Hoover together as a policy continuum and treat the 1932 presidential election as a referendum on the failed policies of 1921 through 1932.

Examples of this negative view of American economic policy during the 1920s abound. Henry Steele Commager and Richard Morris treat the Harding–Coolidge years in harsh terms, opining that it was a "withdrawal from the political experimentation of government regulation into an individualism that was not so much rugged as sullen; withdrawal from the idealism of the recent past into irrationalism and irresponsibility." They accuse the political leadership of the 1920s of being "a generation still chewing on the cud of Spencerian philosophy . . . [who] failed so egregiously to perform well the elementary task to which they dedicated their thought and efforts, to preserve the economic health of the nation. . . . [T]he twenties failed to carry forward the promising beginnings of the economic and social reform inherited from Roosevelt and Wilson" (qtd. in Hicks 1960, 8). John Kenneth Galbraith tangentially supported the New Deal Narrative by asserting a widening income gap in the 1920s, where national prosperity benefitted perhaps as little as 5 percent of the population, and excessive capital goods production expanded far too rapidly compared to consumer goods (1954, 175–77). Peter Fearon charges that "Harding, Coolidge and Mellon were part of a group, becoming old-fashioned by the 1920s, who felt that the least government was the best government." He further asserts that "a disproportionate share [of income] went to a tiny percentage of the total population. . . . [T]he prosperity of the 1920s was real[;] . . . this growing wealth was not, however, equitably distributed" (1987, 49, 67).

The reasoning given here is flawed for a couple of important reasons, however. First, it assumes that certain individuals either intentionally or rashly made policy decisions that created an economic crisis. This assumption of intentionality or foolishness is unfounded. A second flaw is the assumption that Herbert Hoover's presidency represented a continuation of the Harding–Coolidge policies. Whereas Harding and Coolidge held comparable views on government's role in relation to the private sector, Hoover radically differed from them.

The New Deal Narrative suggests that unbridled laissez-faire economic policies in the 1920s generated an abnormal economic "boom," leading to a cataclysmic "bust" that could only be salvaged through New Deal intervention. This premise, however, ignores both the fact that American business cycles of economic growth and contraction have been regular features of the American landscape ever since the first major "panic" in 1819 and that the 1920s were not an era of unrestricted Darwinian capitalism.

Fortunately, a sampling of recent studies of the 1920s highlight the fact that the period's economic "boom" benefitted most Americans to some degree, manifested itself in the private sector and that subsequent governmental reaction to the expansion was counterproductive. Gene Smiley makes a convincing argument in response

This content downloaded from 132.174.250.228 on Tue, 31 Dec 2019 17:57:52 UTC
All use subject to https://about.jstor.org/terms

to the Galbraith/Fearon claim by demonstrating that the vast majority of Americans enjoyed an increase in real per capita incomes. Smiley finds that real wage gains were broad based, reaching skilled and semiskilled men working in twenty of twenty-five industries, and unskilled men in twenty-two of twenty-five industries (1983, passim; 2000, 1122, 1127). From 1921 to 1928, real weekly wages (measured in 1929 dollars) rose from $26.19 to $31.94 among skilled and semiskilled male manufacturing workers, from $19.41 to $23.89 among unskilled male manufacturing workers, and from $14.96 to $17.15 among female manufacturing workers, while daily wages rose from $1.96 to $2.30 among farmworkers (Smiley 2004). Alexander Field notes that the private-sector productivity gains during the 1920s were exceptional. The annual "total factor productivity" gains in the American private domestic economy between 1919 and 1929 averaged 1.97 percent—far higher than during the preceding thirty years (2011, 130, 149). Importantly, the Harding–Coolidge policies occurred during a period of technological advancement. During the same time frame, the nonagricultural portion of the economy grew annually at a rate of 2.02 percent, and manufacturing grew at a rate of 5.12 percent.

Although the private-sector-based "boom" of the 1920s ultimately led to a correction in the normal course of the business cycle, it was increased governmental activism that magnified the following economic downturn into a "bust." Natacha Postel-Vinay, studying Chicago bank failures during the Great Depression, notes that illiquidity was a leading cause of failure and that some similarities can be drawn to the overextension of real estate credit and subsequent financial system distress that ensued in the early 2000s (2013, 27–28). This, coupled with the Great Crash, represent events that the private sector could have absorbed and corrected, as it had in 1921 and 1922. Instead, during 1928 and 1929, the Federal Reserve, acting independently of the executive and legislative branches, engaged in monetary tactics that generated unexpected and counterproductive economic results. Field, studying demands for cash balances related to increased stock-market activity, concludes that "evidence suggests that tight money, the result of the Fed's antispeculative policies, started the Depression" (1984, 498). A poll of economic historians in 1995 demonstrated widespread support for Field's conclusion that the Federal Reserve was culpable in policies that prolonged the economic collapse of the 1930s as well as a belief that the Smoot–Hawley Tariff exacerbated the situation (Whaples 1995, 143–44). Although none of these examples presents a singular narrative to explain the Great Depression, they demonstrate the many interventionist complexities that contributed to create the "perfect storm" of the 1930s, none of which link to the Harding–Coolidge economic policies.

Other scholars point to the international forces at work that contributed to the Great Depression through poor decisions made by central banks on balance-of-payment issues as well as through poor trade policy. Both Barry Eichengreen (1992, 3–4) and Douglas Irwin (2012, 2–12) offer persuasive arguments that rigid adherence to the gold standard in the face of economic calamity substantially contributed to the global economic distress that dominated the 1930s. Irwin adds

This content downloaded from 132.174.250.228 on Tue, 31 Dec 2019 17:57:52 UTC
All use subject to https://about.jstor.org/terms

that although the Smoot–Hawley Tariff of 1930 was not a primary cause of the American economy's collapse, its negative impact was magnified by shocks in both national and international economic systems (2011, 7–8).

A second flaw in the New Deal Narrative concerns Herbert Hoover's policies as president. As secretary of commerce from 1921 through 1928, Hoover was the hero of the Belgian relief effort during the Great War. He inherently believed that government was capable of generating economic outcomes that the private sector could not. Robert Keller notes that "the associative state, and its chief architect Herbert Hoover, saw government operating in the middle ground between unsocial individualism/laissez-faire and state planning" (1987, 882). Fearon adds that "Hoover and his acolytes believed that economic performance could be improved and stabilized if sufficient information were gathered to enable informed decisions to be made" (1987, 50).

Hoover's reaction to economic concerns more closely resembled that of his successor, Roosevelt, than that of his predecessors. In response to the stock-market crash in October 1929 and the economic weakness that developed in its aftermath, the Hoover administration initiated a series of legislative interventions, assigning the federal government a role in "engineering" a stimulus of the national economy, a sharp divergence from the Harding–Coolidge policies. During his four years in office, Hoover oversaw the passage of such legislation as the Smoot–Hawley Tariff, which was even more protectionist than the Fordney–McCumber Tariff; the Revenue Act of 1932, which increased taxes further; and the Reconstruction Finance Corporation, which tried to stimulate the economy through eased credit (Fausold 1985, 154, 161, 196–97). By 1932, discretionary federal spending was more than twice what it had been in 1928 (Carter et al. 2006, 5:92).

Treasury Secretary Mellon, as a key architect of the Harding–Coolidge agenda, sharply disagreed with Hoover's approach to the economic crisis. Mellon, looking back to 1921, supported using the same Harding–Coolidge agenda in dealing with the problems evolving in late 1929 and early 1930. His suggestions went unheeded, and so the Treasury secretary resigned his post in early 1932 to become ambassador to Great Britain (Cannadine 2007, 392–96, 451–52).

In addition to the New Deal Narrative, the generalization that the 1920s represented unbridled laissez-faire capitalism is simply unfounded. Although Harding and Coolidge clearly wanted to stem the spread of economic progressivism and provide greater freedom to the private sector, they never launched any direct attacks upon either the federal income tax or the Federal Reserve. In fact, where it made sense, they worked within the existing regulatory infrastructure, exemplified by passing the Air Commerce Act in 1926 and creating the Federal Radio Commission in 1927 (Keller 1987, 882).

A completely separate critique of Harding's policies arises from his support of the Fordney–McCumber Tariff in 1922, which contradicted the spirit of his overall agenda. Two observations can be made of Fordney–McCumber. First, the bill benefitted farmers in particular, and Harding in this instance placed politics above trade-policy ideology. Second, his support for a protectionist tariff bill was consistent

This content downloaded from 132.174.250.228 on Tue, 31 Dec 2019 17:57:52 UTC
All use subject to https://about.jstor.org/terms

with the historical Republican views on trade, including such examples as the Morrill and McKinley Tariffs.

The Fordney bill can be legitimately criticized as bad policy. However, in the end it proved to be inconsequential in light of the nation's overwhelmingly positive economic performance between 1921 and 1928. Although average tariff rates on all dutiable goods increased from an average rate of 22 percent between 1919 and 1921 to 37 percent for the three years after implementation of Fordney, the volume of imports as a percentage of GDP for these two periods dropped only from 5.5 percent to 4.8 percent, demonstrating that American consumers continued to purchase from abroad despite the increased tariffs (Carter et al. 2006, 3:24, 5:508, 512).

Conclusions

The economic policies of the Harding–Coolidge era were a conservative reaction against the "progressive" trend that characterized American political economy after 1900. These policies sparked one of the most successful economic expansions in American history. National economic performance between 1921 and 1928 was by all measures impressive. Unemployment dropped from 11.3 percent to 4.7 percent (Carter et al. 2006, 2:82). Between 1922 and 1929, nonfarm incomes increased 22 percent, and farm incomes 87 percent (Soule 1947, 232). Real GDP per capita (1996 dollars) increased 24 percent from $5,168 to $6,389. This prosperity was widespread; even though the top 1 percent of wage earners saw their share of the economic pie increase from 15.5 to 18.4 percent, and the top 10 percent of wage earners saw their share increase from 42.9 to 46.1 percent, the vast majority of the remaining population also enjoyed increases in real wages (Carter et al. 2006, 2:656, 3:24).

American economic policy and prosperity during the Harding–Coolidge era are hard to miss. Tables 2 and 4 summarize real GDP, national debt, and discretionary federal expenses on a per capita basis from 1917, the beginning of Wilson's second term, to 1932, the end of Hoover's term. The data illustrate the Harding–Coolidge efforts to responsibly minimize both debt and costs and show that national economic output significantly improved during the same time period.

The Harding–Coolidge version of political economy was promulgated while Ronald Reagan was just a teenager and before Arthur Laffer was even born. Nonetheless, the federal economic policies between 1921 and 1928 represent a textbook example of Reaganomics and Laffer Curve strategies before those terms were ever invented. The evidence is convincing that Harding and Coolidge were more successful at implementing supply-side economic policies than Ronald Reagan was six decades later.

It is time to seriously reconsider the economic policies and accomplishments of the Harding–Coolidge era. Herbert Hoover, despite questioning Harding's talents, acknowledged that he was capable of "opposing the leading bankers," standing up "against the whole steel industry," and even reprimanding close friends such as Attorney General Harry Daugherty (Hoover 1952, 47–48). The large

This content downloaded from 132.174.250.228 on Tue, 31 Dec 2019 17:57:52 UTC
All use subject to https://about.jstor.org/terms

popular-margin victories in presidential elections indicated public approval of the Harding–Coolidge presidencies. Coolidge most certainly would have won reelection in 1928 had he chosen to run.

It is also noteworthy that Harding carried out his policies under extremely challenging economic circumstances. Harding inherited an economic recession in 1921 after the Great War ended. He resisted interventionist strategies, and the nation's economy rapidly came out of the economic downturn. This point has typically been ignored by historians, who have apparently been distracted by the many political and personal scandals that engulfed the Harding presidency.

Tragically, this successful episode in economic policy ended. The Harding–Coolidge policies were supplanted by a more activist approach under the watch of Herbert Hoover. Hoover's response to the Crash, against the wishes of Andrew Mellon, was interventionist in nature and proved counterproductive. In 1932, a panicked nation turned to Franklin Roosevelt and the Democrats for change. The New Deal—which expanded well beyond Hoover's interventionist policies—World War II, and the ascendency of Keynesian economic ideology caused the significance of the Harding–Coolidge episode to fade from the American collective memory.

One of the most heated political issues in the United States since 2000 concerns the role of the federal government in the American economy. Since the turn of the millennium, Americans have nervously watched stagnant European economies labor under the burden of excessive national debt and unsustainable governmental expenditure programs. All the while, between 2000 and 2012 the United States increased its own debt from $5.63 trillion to $16.05 trillion and its annual expenditures from $1.79 trillion to $3.54 trillion (White House n.d.).

The philosophy of Calvin Coolidge serves as a benchmark for why the Harding–Coolidge era was so successful from an economic perspective. A partial listing of his "Eight Commandments of Public Service" includes the following:

- If it be to protect the rights of the weak, whoever objects, do it.
- If it be to help a powerful corporation the better to serve the people, whatever the opposition, do that.
- Don't expect to build up the weak by pulling down the strong. ("Coolidge Symbol of Prosperity Era" 1933)

Coolidge's words remain relevant for the twenty-first-century United States.

In the end, the Harding–Coolidge episode in American government was successful but short-lived due to political circumstances. Still, their presidencies stand as evidence that economic policy along classic-liberal lines, in the context of a modern economy, is feasible. The question is whether the American public and its political leaders are willing to examine this successful episode and consider whether smaller government size and involvement in the economy might be a viable alternative to the progressive economic policies ascendant since 2000.

This content downloaded from 132.174.250.228 on Tue, 31 Dec 2019 17:57:52 UTC
All use subject to https://about.jstor.org/terms

References

Cannadine, David. 2007. *Mellon: An American Life.* New York: Knopf.

Carter, Susan B., Scott Sigmund Gartner, Michael R. Haines, Alan L. Olmstead, Richard Sutch, and Gavin Wright, eds. 2006. *Historical Statistics of the United States: Earliest Times to the Present, Millennial Edition.* 5 vols. New York: Cambridge University Press.

Coolidge, Calvin. 1929. *The Autobiography of Calvin Coolidge.* New York: Cosmopolitan Book Corporation.

Coolidge, Quiet, Simple, Wins Respect of All. 1920. *Wall Street Journal,* June 30.

Coolidge Symbol of Prosperity Era. 1933. *New York Times,* January 6.

Coolidge Will Lead Fight for Tax Cut. 1924. *New York Times,* January 12.

Denson, John V. 2001. *Reassessing the Presidency: The Rise of the Executive State and the Decline of Freedom.* Auburn, Ala.: Ludwig von Mises Institute.

Eichengreen, Barry. 1992. *Golden Fetters: The Gold Standard and the Great Depression, 1919–1939.* New York: Oxford University Press.

Fausold, Martin L. 1985. *The Presidency of Herbert C. Hoover.* Lawrence: University Press of Kansas.

Fearon, Peter. 1987. *War, Prosperity & Depression: The U.S. Economy 1917–45.* Lawrence: University Press of Kansas.

Ferrell, Robert H. 1998. *The Presidency of Calvin Coolidge.* Lawrence: University Press of Kansas.

Field, Alexander J. 1984. A New Interpretation of the Onset of the Great Depression. *Journal of Economic History* 44, no. 2 (June): 489–98.

———. 2011. *A Great Leap Forward: 1930s Depression and U.S. Economic Growth.* New Haven, Conn.: Yale University Press.

Galbraith, John Kenneth. 1954. *The Great Crash, 1929.* New York: Houghton Mifflin.

Harding, Warren G. 1921. Business in Government and the Problem of Governmental Reorganization for Greater Efficiency. *Proceedings of the Academy of Political Science in the City of New York* 9, no. 3 (July): 99–103.

Harding Policies Stand—Coolidge. 1923. *Wall Street Journal,* August 15.

Harding Says Bonus Now Would Imperil Country. 1921. *Wall Street Journal,* July 13.

Hicks, John D. 1960. *Republican Ascendency, 1921–1933.* New York: Harper & Row.

Hoffman, Elizabeth, and Gary D. Libecap. 1991. Institutional Choice and the Development of U.S. Agricultural Policies in the 1920s. *Journal of Economic History* 51, no. 2 (June): 397–411.

Hoover, Herbert. 1952. *The Memoirs of Herbert Hoover, 1920–1933: The Cabinet and the Presidency.* New York: Macmillan.

How Hoover Figures Our Tariff Hits but Fraction of Imports. 1922. *New York Times,* December 17.

Hunt, John Gabriel, ed. 1997. *The Inaugural Addresses of the Presidents.* New York: Gramercy Books.

This content downloaded from 132.174.250.228 on Tue, 31 Dec 2019 17:57:52 UTC
All use subject to https://about.jstor.org/terms

Irwin, Douglas A. 2011. *Peddling Protection: Smoot–Hawley and the Great Depression.* Princeton, N.J.: Princeton University Press.

————. 2012. *Trade Policy Disaster: Lessons from the 1930s.* Cambridge, Mass.: MIT Press.

Johnson, Charles C. 2013. *Why Coolidge Matters: Leadership Lessons from America's Most Underrated President.* New York: Encounter Books.

Keller, Robert R. 1987. The Role of the State in the U.S. Economy during the 1920s. *Journal of Economic Issues* 21, no. 2 (June): 877–84.

Mellon, Andrew W. 1924. *Taxation: The People's Business.* New York: Macmillan.

Mellon: Cabinet Anchor. 1922. *New York Times,* October 8.

Meltzer, Allan H. 2003. *A History of the Federal Reserve.* Vol. 1: *1913–1951.* Chicago: University of Chicago Press.

Postel-Vinay, Natacha. 2013. What Caused Chicago Bank Failures in the Great Depression? A Look at the 1920s. Unpublished paper presented at the Economic and Business History Conference, Baltimore, May 23–25.

Russell, Francis. 1968. *The Shadow of Blooming Grove: Warren G. Harding in His Times.* Norwalk, Conn.: Easton Press.

Shlaes, Amity. 2013. *Coolidge.* New York: Harper.

Smiley, Gene. 1983. Did Incomes for Most of the Population Fall from 1923 through 1929? *Journal of Economic History* 43, no. 1 (March): 209–16.

————. 2000. A Note on New Estimates of the Distribution of Income in the 1920s. *Journal of Economic History* 60, no. 4 (December): 1120–28.

————. 2004. The U.S. Economy in the 1920s. In *EH.Net Encyclopedia,* edited by Robert Whaples, posted June 29, 2004. Available at http://eh.net/encyclopedia/the-u-s-economy-in-the-1920s/.

Sobel, Robert. 1998. *Coolidge: An American Enigma.* Washington, D.C.: Regnery.

Soule, George. 1947. *Prosperity Decade, from War to Depression: 1917–1929.* New York: Harper Torchbooks.

Strasser, Susan. 1989. *Satisfaction Guaranteed: The Making of the American Mass Market.* Washington, D.C.: Smithsonian Institution Press.

Tariff May Be Shelved until after the Election. 1922. *Chicago Tribune,* July 3.

Timmons, Bascom N. 1953. *Charles Dawes: Portrait of an American.* New York: Henry Holt.

Trani, Eugene P., and David L. Wilson. 1977. *The Presidency of Warren Harding.* Lawrence: University Press of Kansas.

Whaples, Robert. 1995. Where Is There Consensus among American Economic Historians? The Results of a Survey on Forty Propositions. *Journal of Economic History* 55, no. 1 (March): 139–54.

White House, Office of Management and Budget. n.d. Historical Tables. Available at http://www.whitehouse.gov/omb/budget/Historicals. Accessed November 20, 2013.

"Working Way out of Waste," Says Harding. 1921. *Detroit Free Press,* September 7.

This content downloaded from 132.174.250.228 on Tue, 31 Dec 2019 17:57:52 UTC
All use subject to https://about.jstor.org/terms