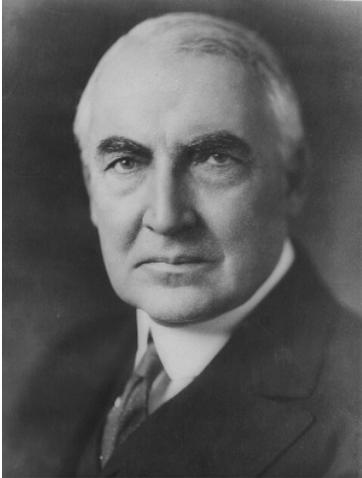


Chapter 1

Conservative Policies and Presidents

Throughout American history there have been major changes in public opinion every ten to twenty years. In one era people want to make changes in the relationship of the government to the economy. They elect liberal (sometimes called progressive) presidents and congresses to make these changes. Because liberal leaders seem to get too far in front of the voters they are voted out of office and replaced by more conservative politicians. During the Progressive Era (1900–1920), for instance, liberal presidents, Theodore Roosevelt and Woodrow Wilson used the national government to protect workers and consumers from unregulated big businesses. It seemed that the U.S. government was on a crusade, to reform everything from tenement houses to the consumption of alcohol. Beginning in 1917 President Wilson extended his crusade into foreign policy and set out (in World War I) to “save the world for democracy,” to “end all future wars” and advocated the idealistic 14 Points as his blueprint to achieve these objectives. By the time the fighting ended, the American people had grown tired of liberal crusades, rejected the League of Nations and returned to a more conservative foreign policy. Most just wanted to take care of their own businesses and have a good time. The presidents and the congresses they elected in that period (1920–1932) expressed this new – found conservative mood.

Warren Harding — A Conservative President



Warren Harding

Warren Harding *was* the first conservative President elected in the 1920's. Harding was from Ohio, a swing state, in presidential elections. That was one of the reasons party bosses decided to make Warren Harding president of the United States. Another reason was that the most respected men in the Republican Party were opposed because of stands they took on important issues. Harding, with an undistinguished record as a lieutenant governor and senator, had not taken unpopular stands on any issues. But his appearance radiated authority and dignity and he had made few enemies. Businessmen liked him because he was a conservative and would do what they wanted. Republican Party political bosses liked him because he did not know enough about politics to run the country without their advice. They nominated him in a closed convention after a backroom deal, and chose Calvin Coolidge of Massachusetts as his running mate because he had taken a strong stand against a policeman's strike in Boston.

In a speech in Boston in May, 1920, Warren Harding said what the country needed was not heroes but healing, not new government experiments but a return to “normalcy”, not “revolutions but restoration; not agitation but adjustment”. It mattered little that the word “normalcy” was not in the English language, for the American voter longed to return to the “good old days” of the 1890'a, when President McKinley promised a “full dinner pail” and neither international responsibilities or domestic reforms were the orders of the day. Harding's campaign speeches played on this longing. He plucked a favorite chord by taking a stand for “happiness” as the greatest thing in the world. In his rhapsodies on normalcy, he declared in favor of peace, honesty, private enterprise, Americanism, low taxes, and a

balanced budget. He campaigned in the traditional manner by remaining in his Ohio home where he received visiting delegations and played horseshoes. He was in the words of his supporters “no world beater,” but he gave voice to a mood most Americans shared; and he was elected over the Democratic ticket of James Cox (also of Ohio) and future President Franklin D. Roosevelt by a landslide with 61 percent of the popular vote.

‘The Best Minds’

Warren Harding was aware of the fact that he really did not know enough to run the country. He therefore tried to get the men with the best minds’ in the country to tell him what to do. Some of the country’s best minds made it into the President’s cabinet. These included Herbert Hoover, a successful businessman with a distinguished record of public service whom Harding appointed Secretary of Commerce, and Charles Hughes, a former presidential contender and later Chief Justice of the Supreme Court, became Secretary of State. Harding picked Andrew Mellon, who had made a fortune with the Aluminum Corporation of America (ALCOA) and resigned from 60 corporate directorships to take a position in Harding’s cabinet as Secretary of Treasury.

Hoover, Mellon, and most other of Harding’s cabinet members were wealthy men who between them managed over 600 million (300 billion, 1998 dollars) worth of property. These men gave America a conservative government, which was dear to the heart of American businessmen from John D. Rockefeller to the corner grocer. In addition to Hoover, Hughes and Mellon, Harding appointed some of his own friends and political associates who had neither the ‘best minds’, nor the best morals. They included Harry Daugherty, Harding’s campaign manager, as Attorney General, and Albert Fall as Secretary of the Interior. Fall was later found guilty of receiving ‘loans’ of \$400,000 for leasing valuable government oil lands at Teapot Dome without competitive bids. Daugherty, was later accused of selling pardons and liquor permits, but acquitted when a jury failed to reach a verdict after deliberating for 62 hours.

Presidents Coolidge and Hoover



Calvin Coolidge

When Warren Harding died in 1923, Americans were just beginning to realize how much money his friends had taken from the Government. But these scandals were soon forgotten as Harding’s Vice–President, Calvin Coolidge, took control of the Federal government. Coolidge had attracted national attention as governor of Massachusetts by standing up to the striking Boston police in 1919. He called the National Guard and made sure all who disregarded their public duty were fired. Coolidge’s warning that no one had the right to strike against the public good convinced Republican leaders he would help Harding win the election.

As President, Coolidge ran a tight ship. He got rid of the dishonest men in Harding’s government and replaced them with honest public servants. He asked Congress to reduce taxes and balance the budget. He vetoed attempts to give money to American farmers and helped reduce income taxes. Coolidge summed up his philosophy of government with his famous statements that ‘the business of America is business,’ and the less famous statement that “a man who builds a factory, builds a temple.” In keeping with his laissez-faire philosophy, Coolidge aspired to be the “least” president that the US ever had and is said to have succeeded in that regard. He proposed no major

legislation, was known for his many veto messages, took long naps in the afternoons, made few appointments, and said little to those who managed to see him.

After Calvin Coolidge decided not to run for re-election in 1928, the Republican Party chose Herbert Hoover to round out twelve years of conservative rule. Raised by uncles who could not afford to send him to college, Hoover worked his way through Stanford University, made his first million as a mining engineer before he was forty, and devoted himself to public service thereafter. He gained universal fame and respect before and after World War I for heading organizations providing relief, and serving in the Harding-Coolidge cabinet as Secretary of Commerce. During the campaign Hoover promised to continue the policies of the previous years:

When the Republican party came into full power [in 1921] it went at once resolutely back to our fundamental conception of the State and the rights and responsibilities of the individual. Therefore it restored confidence and hope in the American people, it freed and stimulated enterprise, it restored the Government to its position as an umpire instead of a player in the economic game. For these reasons the American people have gone forward in progress while the rest of the world has halted, and some countries have even gone backwards. ...

By adherence to the principles of decentralized self-government, ordered liberty, equal opportunity, and freedom to the individual, our American experiment in human welfare has yielded a degree of well-being unparalleled in all the world. It has come nearer to the abolition of poverty, to the abolition of fear of want, than humanity has ever reached before. Progress of the past seven years is the proof of it.¹

Conservative Policies of Harding, Coolidge, and Hoover

There were few important differences between the conservative beliefs of Presidents Harding, Coolidge, and Hoover. Their ideas and policies therefore are summarized below:

Laissez-faire Policies

Conservatives believed that government should not interfere with the normal operations of the economy. Wages, prices, recessions, inflation, all these problems had a way of resolving themselves. The sum total of every person looking out for what is best for them or their business will result in what is best for everyone. If some businessmen were unsuccessful, or people ended up in poverty, 'not to worry' – it was the natural order of things for the fittest to survive and government should not interfere with the laws of nature.

Examples of these ideas as they were carried out during the 1920's follow:

Veterans' bonuses – Soldiers who fought in World War I were paid only \$16 a month. They would have made much more money if they stayed out of the army and continued their civilian jobs. They asked the government to pay them a bonus of \$500 dollars, which they could collect when they retire in 1945 to make up for what they lost in their years of service. Harding, Coolidge, and Hoover opposed that plan.

¹ Quoted in Richard and Beatrice Hofstadter, *Great Issues in American History, Volume III*, (Vintage Books, New York, 1982), pp. 331 & 334.

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Problems on America's farms – During World War I farmers expanded the size of their farms to produce food to help the allies. When the war ended in Europe food production soon returned to pre-war levels. Deprived of this market U.S. farmers were left with wheat, corn, and other products they could not sell. Because they had borrowed heavily during the war to keep up with demand many farmers could not pay their debts. Banks started to call in farm loans and farmers often had no choice but sell their farms. Farmers led by Congressmen Charles McNary and Gilbert Haugen asked the Federal government to buy the surplus farm products and sell them at a loss to other countries. Liberals supported this plan but conservative presidents Harding, Coolidge, and Hoover opposed it.

Laws regulating competition – Presidents Harding, Coolidge, and Hoover made few attempts to enforce laws against unfair competition, conspiracies to raise prices, and insider trading or similar practices in the stock market. Businessmen, in fact, were encouraged to plan together to avoid waste and unnecessary competition. Despite complaints by liberals the conservative Presidents during the 1920's practiced their laissez-faire beliefs regarding business regulation

Muscle Shoals Project – During World War I, the national government started building a dam at Muscle Shoals on the Tennessee River to make nitrates. These chemicals, used to manufacture explosives, could be used to make fertilizers. After the War, liberals thought the government should complete this dam. The power generated by the dam could be used to make inexpensive fertilizers and electricity for the people living in the area. Coolidge and Hoover opposed this plan. They wanted privately owned businesses, not the government, to build the dam and sell the electricity.

Trickle Down

Another fundamental belief of conservatives was the trickle down principle. They thought what was good for the wealthy and good for business would benefit the entire country because their money would trickle down to the poor in the form of jobs and opportunities to make money.

Examples of these ideas as they were carried out during the 1920's follow:

Tax reduction – the tax rate under the three conservative Presidents was reduced from 73% on the part of taxable incomes which exceed \$1,000,000 (about 15 million, 1998 dollars) to 25% on such high incomes. These new rates saved Secretary of Treasury Andrew Mellon and his family about 2 million dollars a year. Not only were taxes for the rich reduced, money was paid back to businesses and people who had already paid their taxes under the old rates. Altogether \$3.5 billion was handed back in this way.

Raising taxes on imports – Conservatives raised tariffs shortly after World War I. The Fordney–McCumber Tariff under President Harding reversed the first major tariff reduction since the Civil War. The Hawley-Smoot tariff of 1931 under Herbert Hoover raised tariffs to an all time high. It protected most businesses from all competition from foreign goods. These rate hikes were strongly opposed by liberals.

As we have seen conservative policies from conservative presidents were based on a belief in laissez-faire and trickle down. Conservatives thought these policies would help the whole country, not just businesses and the rich. Your teacher will probably ask if you agree with these conservative ideas and think they would help the country during the 1920's. You may also ask yourself whether similar policies have helped the U.S. during the twenty-first century.

Suggested student exercises:

1. As best you can, evaluate the choices Americans made in choosing Presidents during the 1920's and the reasons they made them.
2. On the whole, do the policies followed by conservative Presidents and Congresses during the 1920's seem sound or do they seem sadly mistaken. Explain.

Liberal	Program	Conservative
Favor	Veteran's Bonus	Oppose
Favor	McNary-Haugen Farm Plan	Oppose
Favor	Muscle Shoals Dam Project	Oppose
Oppose	Income tax reduction	Favor
Oppose	Increase protective tariff	Favor