

## Chapter 1

# Conservative Policies and Presidents, 1921–1933

### Introduction

Throughout American history, major changes in public opinion have occurred roughly every ten to 20 years because people want to make changes in the relationship of the government to the economy. Sometimes they elect liberal (sometimes called progressive) presidents and congresses because they want the government to do more to help lower-income and middle-class people, to regulate business, and to protect the environment. Because liberal leaders sometimes end up doing more than the people who elected them wanted them to do, they get voted out of office and replaced by more conservative politicians, who usually scale back the scope of government spending and regulation. 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 business practices to tenement houses to the consumption of alcohol. Beginning in 1917, President Wilson extended his crusade into foreign policy to “save the world for democracy,” and advocated his idealistic Fourteen Points as a blueprint to achieve this objective. 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 citizens just wanted to take care of their own businesses and have a good time. The presidents and the congresses they elected in that period (1920–1930) expressed this newfound conservative mood. In this chapter, you will learn about the three men who served as U.S. presidents during the 1920s and their ideas on governing the country.



Warren Harding

### Warren Harding—A Conservative President

Warren Harding was the first conservative president elected in the 1920s. Since Harding came from Ohio, a swing state in presidential elections, party bosses decided to nominate him for president. Another reason he was nominated was that the most respected Republican men in the party had taken unpopular stands on important issues. Harding, with an undistinguished record as a lieutenant governor and senator, had not taken significant stands on any issues. However, 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

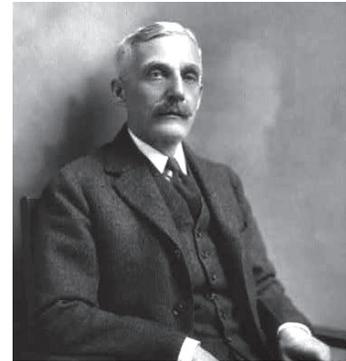
Party political bosses liked him because he did not know enough about politics to run the country without their advice. They nominated him in a closed convention after

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, 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 dictionary, for American voters longed to return to the "good old days" of the 1890s, when President McKinley promised a "full dinner pail" and neither international responsibilities nor 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 himself 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 these minds did make it into the president's cabinet, including 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, who became Secretary of State. Andrew Mellon, who had made a fortune with the Aluminum Corporation of America (ALCOA), resigned from 60 corporate directorships to take a position in Harding's cabinet as Secretary of the Treasury.



Andrew Mellon

Hoover, Mellon, and most other of Harding's cabinet members were wealthy men who believed what was good for rich Americans was good for the country as a whole. These men gave America a conservative government, which pleased 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. Daugherty was later accused of selling pardons and liquor permits, but was acquitted when a jury failed to reach a verdict after deliberating for 62 hours. Fall was later found guilty of receiving "loans" of \$400,000 for leasing valuable government oil lands at Teapot Dome, Wyoming without competitive bids.

## 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. However, these scandals were soon forgotten as Harding's vice-president, Calvin Coolidge, took control of the office that Harding had disgraced. Coolidge had attracted national attention as governor of Massachusetts by standing up to striking Boston police officers 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 thieves 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 U.S. 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 Coolidge decided not to run for reelection in 1928, the Republican Party chose Herbert Hoover to round out 12 years of conservative rule. Raised by uncles who could not afford to send him to college, Hoover worked his way through Stanford University. He earned his first million as a mining engineer before he was 40 and then devoted himself to public service. He gained universal fame and respect before and after World War I for heading organizations that provided relief to war victims, and for his service in the Harding-Coolidge cabinet as Secretary of Commerce. During the campaign, Hoover promised to continue the policies of the previous years:



Herbert Hoover

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.

## **For Further Consideration: Conservative Policies of Harding, Coolidge, and Hoover**

Only a few important differences existed 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—conservatives thought that all these problems had a way of resolving themselves. In the conservative view, the sum total of every individual looking out for what was best for them or their business would result in the best for everyone. If some businessmen were unsuccessful, or if 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 it.

Examples of these ideas as carried out during the 1920s:

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

**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 prewar 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 to 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. In fact, businessmen were encouraged to plan together in order to avoid waste and unnecessary competition. Despite complaints by liberals, the conservative presidents during the 1920s practiced *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 power two plants that would make

nitrites. These chemicals, used to manufacture explosives, could also 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**

Conservatives also held a fundamental belief in the trickle-down principle. They thought that what was good for the rich and good for business would benefit the entire country because their wealth would “trickle down” to the poor in the form of jobs and opportunities to make money.

Examples of these ideas as carried out during the 1920s:

**Tax reduction**—The tax rate under the three conservative presidents was reduced from 73 percent on the part of taxable incomes that exceeded \$1 million (about 15 million in today’s dollars) to 25 percent on such high incomes. These new rates saved Secretary of Treasury Andrew Mellon and his family about \$2 million a year. Not only were taxes for the rich reduced, money was rebated to businesses and people who had already paid their taxes under the old rates. Altogether, the government returned \$3.5 billion 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 competition from foreign goods. However, it also increased the cost of goods bought by American consumers and led foreign countries to raise tariffs on goods made in the U.S. Liberals strongly opposed these rate hikes.

As we have seen, conservative policies from conservative presidents were based on beliefs in *laissez-faire* and trickle-down. Conservatives thought these policies would help the whole country, not just businesses and the rich.

**Write two strong paragraphs explaining why the U.S. should or should not have followed *laissez-faire* and trickle-down policies during the 1920s; be prepared to present your opinion, to listen to the opinions of others, and to either defend your own or change your mind.**