**Harding**

The 1920s were dominated by the administrations of three Republican presidents: Harding, Coolidge, and Hoover. Elected in 1920 on a "return to normalcy" platform, Warren G. Harding was a hearty, kind, easy-going man—too kind and easy-going to be a good president. He found it difficult to refuse any requests his friends made of him. In addition, Harding was less gifted intellectually than a president ought to be. He admitted this weakness when he said, "I am a man of limited talents from a small town." To compensate, Harding attempted to surround himself with men of first-rate minds, and he delegated much responsibility to them. Harding was successful in his appointments of Charles Evans Hughes as secretary of state, Andrew W. Mellon as secretary of treasury, and Herbert Hoover as secretary of commerce. But a host of other schemers and political boondogglers, including Secretary of Interior Albert B. Fall and Attorney General Harry M. Daugherty, manipulated and used Harding to advance their selfish purposes. Harding's limitations made him unable to detect their deceitfulness or to protect the nation from these self-serving predators.

In the most hurtful scandal of Harding's presidency, Secretary of Interior Albert Fall in 1921 persuaded Secretary of the Navy Edwin Denby to allow oil magnates Harry F. Sinclair and Edward L. Doheny to lease Teapot Dome in Wyoming and Elk Hills in California, in spite of the fact that these valuable oil fields had been set aside by Congress for the use of the Navy. Without fully understanding the documents presented to him, Harding signed over the leases. It was later discovered that Fall had taken a $100,000 bribe from Doheny and a $300,000 bribe from Sinclair to push this transaction through. Not until 1927 was the Supreme Court able to revoke the Elk Hills and Teapot Dome leases and return these reserves to the Navy.

Attorney General Harry Daugherty, part of the crooked "Ohio Gang" (Harding's poker cronies), failed to prosecute criminals in a consistent manner, giving special consideration to some who gave him "considerations." He was accused of selling pardons and liquor permits for his own remuneration. Daugherty went to trial in 1927, but not before making untruthful implications concerning the integrity of Harding, who by then was dead and could not defend himself.

In the Forbes scandal, Colonel Charles R. Forbes of the Army, appointed by Harding as head of the Veterans Bureau, was caught along with others skimming from appropriations earmarked for construction of veterans' hospitals. It is estimated that this group stole $200 million from the taxpayers. Forbes spent two years in a federal penitentiary for his crimes. Disgusted by these scandals, Americans became increasingly cynical about politics and politicians.

Though progressive Democrats would have liked the railroads and the Merchant Marine to be permanently nationalized following the war, Harding's Republican administration did not believe in the government running businesses in peacetime. In 1920, the railroads and Merchant Marine were both privatized, though each had its own trouble operating in the free market without government support.

The Esch-Cummins Transportation Act provided for consolidation of rail lines under private ownership and ensured that the railroads would remain solvent with the assistance of the Interstate Commerce Commission. Automobiles, trucks, and new airplanes had begun to take away some of the railroads' freight and passenger transportation business. Where the government's role had before been to prevent the railroads from taking advantage of their customers, it was now a matter of keeping the rail lines alive as an essential national service. To that end, the Railway Labor Board forced a 12 percent wage cut on railroad workers. This move precipitated a two-month strike that was summarily quashed by the government.

Likewise, the Merchant Marine Act of 1920 allowed the government to divest itself of most of its 1,500 war-built cargo ships at auction. American shipping found, however, that it could not compete with foreign shippers who employed seamen at subsistence wages.

In the less than three years of his administration, Harding appointed four Supreme Court justices. Three were so ultra-conservative that they stifled innovation and reform for 20 years. The fourth, former president William Howard Taft, who was appointed chief justice, served admirably in this capacity, pursuing a course of sense and flexibility. Nevertheless, the Supreme Court of the 1920s was unsympathetic to labor, resisted government involvement in the economy, and overturned progressive legislation that had been passed earlier, including child labor legislation. In *Adkins* v. *Children's Hospital* (1923) the Supreme Court reversed its earlier ruling in *Muller* v. *Oregon* that had given women special protection in the workplace and guaranteed them a minimum wage. The argument was that since women now had the right to vote and were to be treated as equals in the eyes of the law, they should therefore not receive special privileges that were not accorded to men.

In accord with the new atmosphere of government partnership with business, antitrust laws were not enforced and many government agencies such as the Interstate Commerce Commission and the Federal Reserve Board were more sympathetic to the businesses they were monitoring than to the public they were supposed to be protecting. Companies in the same business were allowed to be in collusion in fixing wages, prices, and policies with regard to the government and other industries. Secretary of Commerce Herbert Hoover believed that the cutthroat competition of the Gilded Age had been wasteful and that voluntary cooperation combined with self-regulation was a more efficient policy for business than a repressive and intrusive government. When all parties participated in an open and constructive manner, this hands-off method was ideal. But crooked dealers found self-policing to be a program made to order for fleecing the public.

To its credit, the Republican Congress in 1921 created the Bureau of the Budget, which for the first time provided the government with an accurate accounting of its income and expenditures and over the years proved to be a valuable tool for assessing past performance and planning government programs and appropriations. In addition, Secretary of Treasury Andrew Mellon introduced more efficient practice into government and crafted a set of tax laws that reduced taxes on individuals and business. During World War I, the national debt had climbed from about $2 billion to $24 billion in spite of a tax rate of as high as 66 percent. Mellon argued that lower taxes would free capital to be invested in production, which would eventually return a greater volume of tax revenue to the government due to an expanded economy. His theory was later echoed by the British economist John Maynard Keynes.

Mellon's policies carried through the 1920s and indeed the deficit was reduced to $16 billion. Most of the tax reductions went to the wealthy, however. Mellon defended this policy by saying that it is more beneficial to the general welfare if the rich have more capital to invest in large projects, than if individuals have more money in their pockets. Critics have claimed that by lowering taxes, excess cash became available for speculation on the stock market, thus contributing to the crash of 1929.

Having rejected the Treaty of Versailles, Congress in 1921 issued a unilateral resolution that officially declared America's involvement in the war over. Harding and Senate Republicans would also have liked to reject the League of Nations, but could not justify completely abandoning the United State's presence in this international body. As a compromise, the U.S. sent unofficial observers to Geneva, Switzerland, to keep tabs on the League's activities.

Harding could not hide in an isolationist shell with regard to Middle East oil, either. Oil had been critical to the Allies' victory, and it was clear that access to oil was pivotal for a nation to be powerful in the world. Secretary of State Charles Evans Hughes vied successfully with Great Britain for oil-drilling concessions in the region.

Disarmament was another issue that had to be confronted. A potentially bank-breaking, three-way race among Britain, Japan, and America for dominance on the high seas had been shaping up since the end of World War I. Though it appeared America could win on the strength of its mammoth production capacity, Americans and the rest of the world were concerned by the cost as well by the heightened potential for armed conflict with the oceans full of super-navies.

At the Disarmament Conference of 1921-1922 in Washington, Secretary Hughes proposed dramatic restrictions on new shipbuilding and parity among Britain, America, and Japan in battleships and aircraft carriers in a ratio of 5:5:3. To agree to this smaller portion, Japan demanded that Britain and America not fortify their possessions in the Far East, including in the Philippines, and that all the nations with a colonial presence in the Pacific refrain from increasing their holdings. The Five-Power Naval Treaty of 1922, signed by the United States, Great Britain, France, Japan, and Italy, articulated these provisions.

In a similar vein, the Americans, British, French, and Japanese signed the Four-Power Treaty agreeing to respect each others' possessions in the Pacific, while the Nine-Power Treaty reaffirmed the Open Door Policy with regard to China, ostensibly guaranteeing that troubled country's independence. Though the Disarmament Conference was considered a diplomatic victory for world peace, the concessions made to Japan cleared the way for that country's aggression in China, Southeast Asia, and ultimately the Philippines. In addition, countries were free to build fleets of smaller cruisers, destroyers, and submarines, which many did while isolationist America allowed its fleet to dwindle as aging ships were scrapped and no new ships were built.

In response to business pressure to keep cheap European manufactured goods off the American market, Congress in 1922 passed the Fordney-McCumber Tariff Law increasing duties on foreign imports from an average of 27 percent to 38.5 percent. Though this protected some American manufacturers, it forced American consumers to pay higher prices than they might have if there had been a free world market. Perhaps more destructive for the time, however, was that in order to recover economically, Europe needed to be able to sell its manufactured goods in American markets. With high tariffs, Europeans were unable to compete in America and their economies floundered. The Germans were unable to meet their reparations payments to the French and British, who were depending on that money to pay their American war debts. European defaults then put strains on the American financial system, and bad feeling ensued on both sides of the Atlantic. The Europeans retaliated by erecting their own trade barriers to American products. As a result of the high tariffs, Europe's prolonged economic distress fostered political dissonance that allowed the rise of fascism in Germany and Italy.

To his credit, Harding spoke out against the Ku Klux Klan and other organizations of hatred and violence. He was also a staunch supporter of women's rights. Overwhelmed by the demands of the presidency and just beginning to realize the extent of corruption running through his administration, Harding was encouraged by friends to get away from the pressures of Washington by going on a speaking tour to Alaska and the West. He collapsed in Seattle in August of 1923 and died shortly afterward in a San Francisco hospital of a blood clot and pneumonia. Millions of Americans sincerely mourned Harding's death and lined the tracks to pay their last respects as his funeral train steamed somberly across the nation. Many historians speculate that distress over the breaking scandals throughout his administration contributed to Harding's passing.

## Coolidge

As Harding's vice president, Calvin Coolidge took office for the final year of Harding's presidency. He then ran for president the next year. The election of 1924 was characterized by deep fragmentation of the Democratic Party over such issues as prohibition, progressivism, north/south sectionalism, urban/rural disffection, and immigration. The Democratic convention chose John W. Davis, a conservative Democrat, to counter Coolidge, but the liberals decamped to field their own candidate, Wisconsin Senator Robert M. La Follete, under a New Progressive Party banner. With the Democratic Party divided, Coolidge made a clean sweep into the White House.

A no-nonsense New Englander, Coolidge believed "the business of America is business," and the sharks of industry forged ahead unrestrained in their ambitions, their production, and sometimes in their damage. Reserved, cautious, frugal, and intolerant of moral laxity, Coolidge quickly discouraged the "good ole boy" politicking that had led to scandal in Harding's administration.

Coolidge's fragile state of health undoubtedly influenced his presidency. He has been characterized as the least active president in history, taking daily afternoon naps and proposing no new legislation. Coolidge inherited issues he had to make decisions on, however. One issue was pressure from veterans to be repaid for wages they had lost while they were in the service. The main organization for lobbying for benefits was the American Legion, which had been organized by Theodore Roosevelt, Jr. in Paris in 1919. The Legion was a patriotic, extremely conservative group that could call up a large number of votes nationwide and was thus able to influence elections. Veterans pressured Congress into passing a "bonus" bill in 1922. Harding vetoed it, but Congress was again prevailed upon and passed the Adjusted Compensation Act in 1924. This act gave each veteran a paid-up insurance policy with a 20-year maturity date. The projected cost of the plan was $3.5 billion—a hefty sum for the time. Coolidge also vetoed the bill, but Congress overrode his veto in its fear of veteran voter backlash.

While American industry surged ahead in the 1920s, the American farmer did not do so well. During the war, farm products were in high demand with foreign farms out of commission due to fighting. After the war, Europeans began farming again. Meanwhile, American farmers had bought into the promise of technology with mechanical tractors to pull plows and other farm machinery. A farmer could now plant and harvest far more acres than before and eliminate costly animal and human labor. Food surpluses began to appear, which drove prices below the level of cost for the farmer. As many as 25 percent had their farms foreclosed.

Farmers organized into a farm bloc that successfully lobbied government to pass legislation such as the Capper-Volstead Act that exempted agricultural cooperatives from antitrust laws. But Coolidge consistently vetoed a plan for government to buy surpluses and sell them overseas in order to keep American prices high. The distress in the farming sector in the midst of such apparent prosperity is one indicator of the unbalanced economy that persisted during the 1920s.

Americans at this time indulged themselves with pacifist fantasies, and two million signed a petition to outlaw war. Though skeptical of its actual utility, Secretary of State Frank B. Kellogg took the petition to France and used it as a basis for the Pact of Paris, which was eventually signed by 62 countries. Kellogg won a Nobel Peace prize for this diplomatic feat. Unfortunately, outlawing war was a concept limited to the imagination, since aggressive nations took no heed of mere words on paper. So long as it was in their best interests to appear to abide by the pact, aggressive nations could "frame" their victim nations into armed conflict and claim innocence. Germany would eventually use this tactic to send its troops, dressed in Polish military uniforms, to attack a German radio station. On the basis of this ruse, Germany invaded and overran Poland.

In a twist of irony, American pacifism included keeping foreign powers from fishing in the politically muddy waters of Central America and the Caribbean by forcefully maintaining peace in times of governmental instability. To that end, America stationed troops in Haiti (1914 to 1934), Nicaragua (1909 to 1933), and the Dominican Republic (1916 to 1924). Coolidge ordered the troops out of Nicaragua in 1925, but was forced to send an army of 5,000 back in 1926. Regardless of American good intentions, these interventions bred resentment in the region.

In 1926, Mexico moved to nationalize its oil industry. American oil companies, which had invested heavily in development of Mexican oil resources, pressured Coolidge to use military force to return their property. Coolidge declined to attempt a military solution and instead negotiated an agreement, which measurably improved relations with Mexico.

Coolidge oversaw a partial withdrawal of U.S. troops from the region and is remembered as the pioneer of the "Good Neighbor" policy with Latin America and the Caribbean nations. Even so, isolationism precluded the U.S. from doing what it might have to assist in the economic development of our southern neighbors, a situation that fostered envy and resentment and ultimately bred regimes hostile to the United States.

Foreign policy in the 1920s staggered under the burden of the foreign debt as America tried to squeeze the $10 billion owed to the Treasury from war-impoverished Britain and France. These countries then had no option but to pressure Germany, which was in even worse economic shape, to pay the $33 billion in reparations demanded in the Treaty of Versailles. Germany could not begin to keep up with its repayment schedule, but in 1923 France sent troops into the Ruhr Valley to force the issue. Germany responded by running the printing presses and allowing the German mark to inflate to an astounding one trillionth of its prewar value. Germany then tried to pay its debts with worthless paper, but runaway inflation proved catastrophic to German economic recovery and led to deep political unrest that fostered radicalism and fascism in the 1930s.

To attempt to pay their debts and finance recovery, Europeans borrowed heavily from American banks and other private sources, increasing the European debt burden to Americans. To repay these debts, they needed to be able to sell their goods in the vast American marketplace. But with American tariffs climbing ever higher, Europeans found themselves shut out of this avenue to recovery and were understandably resentful.

Many diplomats and political analysts of the time believed that the war debts and reparations should have been reduced or canceled, but those to whom the debts were owed did not want to lose hope of retrieving these payments. The Dawes Plan of 1924 streamlined the loan reparation/repayment revolving flow of money between Europe and America by reducing Germany's reparations and expanding American credit to Germany through government guaranteed loans. This scheme might have ultimately been successful except for the worldwide depression of the thirties. The last round of payments was made in 1933. In the final analysis, Germany paid to England and France what the Americans lent it, and England and France paid to America what Germany paid in reparations. Middlemen may have made money along the way, but the American economy still had to absorb the $10 billion loss as a cost of war.

## Hoover

Calvin Coolidge declined to run in the 1928 presidential election, paving the way for Herbert Hoover who had ably run the Department of Commerce under both Coolidge and Harding. Hoover was educated as a mine engineer and had become a wealthy and successful businessman on his own merits before being appointed to Harding's cabinet. He had been brought up as a Quaker and espoused a practice of business and government that he called "associationalism," a term that might be translated as individual initiative within a cooperative framework. This approach served him well in his business enterprises, when he served as head of the Food Administration for Belgian relief in World War I, and as secretary of commerce under Harding and Coolidge. He had never been elected to office, however, and found the ever-present campaign mudslinging by those in both parties to be a painful experience.

His opponent, Al Smith, was a Catholic and a Tammany Hall Democrat from New York City who believed in ending prohibition. The country was not yet ready to give up the "noble experiment" of outlawing alcohol, however. In addition, America was prejudiced against the idea of a non-Protestant president. Many people also felt that a person born and bred in the quintessential urban environment of New York could not have either sympathy or understanding for those living in other circumstances.

The election of 1928 was the first to combine old-time whistle stop campaigning with addresses to the electorate over the new-fangled radio. Although he was not a powerful orator, Hoover's plain speech and solid mid-western accent transmitted a sense of sincerity across the radio waves, while Smith's more flamboyant expressions and downtown twang did not come across well. Besides, the great prosperity machine was still running at full speed. Voters showed their approval of conservative government by voting in Hoover by a landslide as well as installing an overwhelmingly Republican Congress.

Except for the debt-riddled farming sector, the economy seemed strong when Hoover took office. For the farmers, Hoover sponsored the Agricultural Marketing Act to help establish cooperatives, and he created the Federal Farm Board with a half billion dollar budget to buy up and stockpile grain and cotton surpluses in order to support farm prices. But farmers desperately produced faster than the government could buy and quickly overran the half-billion dollar stopgap, only to see prices plunge lower than before.

Profitable new industries seemed to make up for struggling old ones, and stock prices rose far above the actual worth of the companies they represented. These high prices were fueled by such levels of borrowing and speculation that the government became worried. Hoover tried unsuccessfully to slow speculation through the Federal Reserve Board, but it was too little too late, and the speculation bubble burst in October 1929 as a first harbinger of the long drop to the bottom of the Great Depression.

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