

December 2008

*Governing by
the Founder's
Constitution:
The Presidency
of Warren G.
Harding**

POLICY

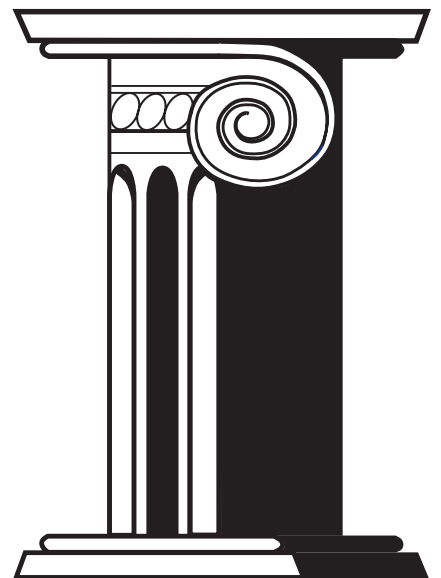
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by

**John Hendrickson
Public Interest Institute
Mount Pleasant, IA**

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**Dr. Don Racheter,
President**

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Governing by the Founder's Constitution: The Presidency of Warren G. Harding

Contents

Executive Summary	3
Return to Normalcy: A Conservative Direction	4
Progressives vs. Conservatives	6
Harding and the Grand Old Party	9
The Normalcy Program	11
Tax Reform, Budget Reform, and Tariff Reform	15
Harding's Leadership: Normalcy as Policy	18
Immigration and Tariff Reform: America First	19
Budget Reform	20
Andrew Mellon and Tax Reform	21
The Bonus Bill: A Forgotten Story of Presidential Leadership	25
Harding and Americanism	29
Harding's Record	30
Endotes	32

President Warren G. Harding, is not usually remembered for his pursuit of limited government policies. Historians normally ignore the Harding era, because it is considered to be the beginning of a decade of retrenchment from progressivism in American politics. Harding started a political era in 1921 that is commonly referred to as “Normalcy,” a term that the President popularized. Harding’s call for a “return to normalcy” signaled a different policy direction compared to Theodore Roosevelt’s Square Deal or Woodrow Wilson’s New Freedom. Normalcy was a call to return to constitutional government.

By 1921 the nation had clearly had enough of progressive governmental activism and Wilsonian idealism both at home and abroad. Upon taking the oath of office, Harding demonstrated that his presidency would be a traditional presidency based on a strong cabinet rather than a unitary executive as Wilson had governed. Harding also inherited an economic recession, an aftershock from World War I.

In response the Administration, led by Harding and Andrew Mellon, Secretary of Treasury, called for tax reform, budget and spending reform, and tariff reform. Harding’s approach to solving the economic recession of the early 1920s was to reduce the tax burden and reduce government spending. The result was a quick economic recovery

accomplished by constitutional limited government means. Harding also brought reform to immigration, tariff policy, and the federal budget process.

President Harding demonstrated decisive leadership over the Veterans Bonus Bill. Veterans of World War I, supported by the American Legion and both political parties, pushed for a bonus to veterans who served in the Great War. Harding, who sympathized with the Veterans and honored their service, realized that such an entitlement at this time would break the budget, and he believed that the larger economic reforms that he had implemented in his Normalcy program would better serve the veterans than the bonus itself. The result was a confrontation between Harding and Congress and the President demonstrated leadership close to the 1922 Congressional elections in defending principle and sound policy over pressure from public opinion.

Warren G. Harding may not have had the philosophical political understanding of Calvin Coolidge or Herbert Hoover, but he did understand the importance of governing by the Constitution. Harding rejected the progressive view of the “Living” Constitution and believed in the principle of equality of opportunity, which was soundly identified by Abraham Lincoln. Harding’s presidency was based on governing and advocating policies based upon constitutional government.

Executive Summary

“Harding started a political era in 1921 that is commonly referred to as ‘Normalcy.’”

Governing by the Founder's Constitution:

“The Harding administration pursued constitutional principles, but it also showed that these principles are not obsolete, and that a President does not have to use the ‘bully-pulpit’ and move beyond constitutional limitations to achieve policy results.”

January 1921 marked a significant change in American politics. The political structure of the nation shifted in a more conservative direction under the leadership of Warren G. Harding and the “normalcy” program. This case study will examine the administration and political thought of Warren G. Harding. Harding is normally remembered for the scandals of his administration. Although Harding failed in some instances by trusting too much in close confidants, this paper will not offer an extensive treatment of those scandals, to which Harding generally was not personally connected. However, the objective of this paper is to discuss Harding’s political philosophy and his view of presidential power. One of the more important characteristics or virtues of a presidential administration is presidential perspectives on the legitimacy of constitutional principles.¹

President Harding fulfilled his oath and obligation to the Constitution. Harding is often the brunt of jokes over his call for a return to “normalcy,” but normalcy, as defined by Harding, turned out to be a serious political program in Constitutional government. Harding’s normalcy program not only revived the faltering economy inherited from the Wilson Administration, but ushered in an era of tax reform, tariff reform, reduced government expenditures, and economic prosperity. Harding also put a temporary hold on Progressive era reforms

by believing that “the government that governs the least governs the best.” Harding argued that the Constitution is not a document that should evolve or be a “living” document as the Progressives believed, rather he believed in the enduring truths of the Founders, who designed a national government with limited powers. The Harding administration pursued constitutional principles, but it also showed that these principles are not obsolete, and that a President does not have to use the “bully-pulpit” and move beyond constitutional limitations to achieve policy results.

Return to Normalcy: A Conservative Direction

On June 12, 1920, Senator Warren Gamaliel Harding accepted the Republican Party’s presidential nomination. About a month earlier, on May 14th, in Boston, Harding defined his campaign in historic terms. The Senator called for a return to normalcy. He noted, “America’s present need is not heroics, but healing; not nostrums, but normalcy; not revolution, but restoration; not agitation, but adjustment; not surgery, but serenity; not the dramatic, but the dispassionate; not experiment, but equipoise; not submergence in internationality, but sustainment in triumphant nationality.”²

Harding’s call for a “return to normalcy” was mocked, but it signaled a return toward traditional constitutional govern-

ment and not a continuation of the progressive politics epitomized by the administrations of Theodore Roosevelt and Woodrow Wilson.³ In his acceptance remarks for the Grand Old Party (GOP) nomination for President, Harding did not call for a new reform agenda like progressive candidacies in the past. Theodore Roosevelt defined his reform agenda as the Square Deal and later called for a New Nationalism during the 1912 presidential election, which split the GOP with progressives bolting the Party to join Roosevelt and his crusading Bull Moose progressive party. This left moderates and conservatives to largely support the incumbent President William Howard Taft. Woodrow Wilson, the Democratic victor in 1912, offered his own version of progressivism with his New Freedom.

Harding's "return to normalcy" was a charge of moving toward conservative government with prudent change, not returning to the policies of Theodore Roosevelt, but to those of President William McKinley. Harding's definition of normalcy is best defined as conservatism. George F. Will, a conservative columnist and writer, has suggested one litmus test in identifying conservatives: "Whom would you have supported for president in 1912?"⁴ The correct answer to Will's question is William Howard Taft, and Harding passed the test with his endorsement of Taft rather than

Roosevelt in the 1912 election.⁵

In addressing the Republican leadership and the Party at large, Harding outlined a conservative agenda. Harding called for a return to more traditional limited government rather than policy experimentation and political reform. In fact, many of Harding's policy points that he addressed in the spring of 1920 can be applied to today's debates. Harding reassured Republicans that if elected he would be "a constitutional president..."⁶ Further, he noted that "Our first committal is the restoration of representative popular government, under the Constitution, through the agency of the Republican Party."⁷ Harding wanted to roll back not only the progressive policies of Wilson, but also restore the traditional constitutional role of the presidency.

Harding's conservative agenda fit well with traditional Republican economic policies, a central part of the Grand Old Party. He called for "thrift and economy, for denial and sacrifice, if need be, for a nation-wide drive against extravagance and luxury..."⁸ In other words Harding demanded a return to fiscal restraint, political prudence, and the need for the federal government to "be made more business-like." This was echoed by Harding's soon-to-be Secretary of the Treasury, Andrew Mellon, the Pittsburgh financier.⁹ For example, Harding called to "send back to productive effort thousands of Federal employees, who

The Presidency of Warren G. Harding

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Governing by the Founder's Constitution:

“Harding’s return to normalcy was a systematic political philosophy that defined his administration... Harding’s normalcy was a ‘conservative approach to national problems and politics.’”

are either duplicating work or not essential at all.”¹⁰ Further, he reaffirmed his support for important policy pillars of the Republican Party, including the protective tariff, which he stated his administration would be “calling for its saving Americanism again.”¹¹ Among other policy changes he called for reform and relief of the nation’s tax burden, which had been increased by the Wilson administration. He also called for immigration reform, which would establish “standards for immigration, which are concerned with the future citizenship of the republic, not with mere manpower in industry.”¹² Harding said, “I believe that every man who dons the garb of American citizenship and walks in the light of American opportunity, must become American in heart and soul.”¹³

Harding’s return to normalcy was a systematic political philosophy that defined his administration. Normalcy does not sound as intellectual as the Square Deal, Theodore Roosevelt’s New Nationalism, or the New Freedom of Woodrow Wilson. Harding’s normalcy was “a conservative approach to national problems and politics.”¹⁴ Any understanding of political thought during the 1920s must be rooted not only in constitutionalism, but also the Progressive movement and World War I. The impact of the both “had profound effects upon the United States that elected Harding President in 1920.”¹⁵

Progressives vs. Conservatives

The Progressive era began in full force during the Presidency of Theodore Roosevelt, who succeeded President William McKinley after his assassination.¹⁶ Progressivism is defined as “an ideology based on the idea that historical and social progress are inevitable.”¹⁷ Although progressives had various philosophies, most believed that human nature could be perfected by mankind.¹⁸ Progressivism grew in response to industrialization and the problems of urbanization in the late 19th century. The progressive wave was felt deeply in the Great Plains and farm belt as farmers pushed agrarian populism through political leaders such as William Jennings Bryan. Progressives pushed a reform agenda centered on the direct election of Senators, progressive income tax, initiative and referendum, labor and business regulation, and educational reform .

Progressives also believed in the administrative state, that is, the idea that administrative bureaucracies, staffed by unelected professionals, could regulate and find solutions to economic and social problems; in other words, perfect human nature. This, of course, required a strong central government. Theodore Roosevelt instituted the beginnings of the administrative state. Roosevelt not only believed in business regulation and trust-busting, but also

in the expanded role of the President. “The object of the government is the welfare of the people,” noted Roosevelt in his New Nationalism address in 1910.¹⁹ Roosevelt believed that the times called for a “far more active governmental interference with social and economic conditions in this country...”²⁰

In order to bring about more governmental activism in the social and economic affairs of the nation, progressives not only required the administration of the bureaucratic state, but also a powerful executive to direct the reform agenda. Roosevelt adopted the “Stewardship” theory of the presidency, and he regarded the “executive power” of the President to be the steward of his New Nationalism.²¹ The Stewardship theory of the presidency utilized by Roosevelt and later expanded by Wilson and Franklin Roosevelt was a cornerstone of progressivism.²² Roosevelt effectively established the modern presidency, which looked favorably upon Alexander Hamilton’s argument for a strong executive with broad powers under Article II of the Constitution. “George Washington, Andrew Jackson, and Abraham Lincoln had taken an expansive view of the president’s authority in times of national crisis,” while Roosevelt applied and extended the view to domestic policy.²³

In the eyes of progressives, the presidency should be used as a bully-pulpit, and many progressives, including Wil-

son, believed that the President was needed to lead the nation toward progressive goals rather than Congress. Progressives began to refute the Whig notion of the presidency, which consisted of a limited or restrained view of executive power. Whig theory, which is named after the American Whig Party, held that the President’s power should be restrained within the law and generally defer to the authority of Congress. Whigs had been critical of “King” Andrew Jackson and his use of executive power over such issues as the Second National Bank. The best illustration of the Whig Theory was that of former President and later Chief Justice of the United States Supreme Court, William Howard Taft. Taft believed the President [Roosevelt] had gone too far with his bully-pulpit presidency. “He [Taft] believed that the chief executive should remain within the boundaries of the law rather than move beyond them.”²⁴ Taft outlined his view of the presidency through a series of lectures at Columbia University which were later published in book form as *Our Chief Magistrate and His Powers*. In Taft’s view, executive power should be limited to specific defined powers in the Constitution. Taft wrote:

The true view of the Executive function is, as I conceive it, that the President can exercise no power which cannot be fairly and reasonably

The Presidency of Warren G. Harding

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Governing by the Founder's Constitution:

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in separation of
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traced to some specific grant of power or justly implied and included within such express grant as proper and necessary to its exercise. Such specific grant must be either in the Federal Constitution or in an act of Congress passed in pursuance thereof.²⁵

The Republican administrations of the first half of the 1920s, including Harding's, agreed with the Taft notion of a restrained presidency. In fact, Harding stated that “no man is big enough to run this great Republic, there never has been one, such domination was never intended.”²⁶ Harding believed in separation of powers and the constitutional responsibilities of the legislative branch. “Can any American wonder that members of the Senate, in complying with their solemn oath of office, insisted upon safeguarding America when the President proposed to submerge nationality in a super-government of the world,” noted Harding.²⁷ Presidential scholars Sidney M. Milkis and Michael Nelson wrote that Harding, Coolidge, and Hoover held their “understanding of executive power more to William Howard Taft than to Theodore Roosevelt.”²⁸

In addition to the administrative state and presidential power, progressives also saw the Constitution differently than the Founding Fathers. Progressives, influenced by the

theories of Charles Darwin, believed in a “living” Constitution; that is, the Constitution was a living and breathing document. Progressives argued that the Constitution was an “18th century document incapable of solving 20th century problems...”²⁹ In other words, the Constitution could not handle the problems of the 20th century, which according to the progressives, demanded more powers granted to Congress through the General Welfare, Necessary and Proper, and Commerce clauses found in the Constitution. The Founders wrote a Constitution that limited the power and scope of the national government, which was a direct affront to the administrative state and modern presidency. Harding believed that the Constitution was “the very base of all Americanism,” and he regarded it as the “ark of the covenant of American liberty.”³⁰

Harding viewed the Constitution as “sacred” and did not believe the Constitution was obsolete:

Men oftentimes sneer nowadays like it were some useless relic of the formative period, seemingly unmindful that on its guaranties rests the liberty which permits ungrateful sneering. Others pronounce it time-worn and antiquated and unsuited to modern liberty, but they forget that the world's orderly freedom

has come of its inspiration...But it does abide and ever will so long as the republic survives.³¹

In addition, he believed that the Constitution limited the powers of the federal government. “It [the Constitution] provided a practical, workable, popular, central government upon the representative plan, while reserving to the people in the states and their political subdivisions the control of their local affairs.”³²

Harding contended that the Constitution of 1787 was strong enough to govern the U.S. of 1920:

It [the Constitution] was written in six months to meet an impending crisis, and it was written to provide a central government for the people of thirteen scattered colonies, having a total population smaller than now lives within the confines of several of our cities, and yet it was so soundly conceived and so masterfully written that its provisions fully meet the actual governmental needs of a hundred and twenty millions of people, as well as the conditions which are revealed in an experience of a hundred and thirty-three years — and, I believe, of all the years to come.³³

“Can any of you, my friends, conceive a clearer statement of a noble purpose?” asked Harding in reference toward the Constitution.³⁴ Harding viewed the Constitution as “clearly stated” and “patriotically conceived.”³⁵ “During all these years the Constitution has never failed America,” noted Harding, and he added that he wanted the “Republic governed in America, under the Constitution.”³⁶

Harding and the Grand Old Party

Harding’s political philosophy may not have been as polished or academic as Woodrow Wilson’s, but his view of Americanism was centered on the traditional constitutionalism of the Founding Fathers. It is too often assumed that Harding won the Republican presidential nomination as a result of a “smoke-filled room” deal — rather he won the nomination as a compromise candidate, because the GOP did not have a clear frontrunner. Harding, who was in his first term as a United States Senator and who previously served as an Ohio politician and newspaper editor from Marion, was viewed as a Republican who would not enter office as a reform-minded activist in the mold of Roosevelt. After several ballots at the GOP convention, Harding won the nomination as a compromise candidate and Calvin Coolidge, the Governor of Massachusetts, was selected as his

The Presidency of Warren G. Harding

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running mate.³⁷ “In the context of 1920, Harding made sense as a compromise candidate. He could carry Ohio, he had no serious enemies within the party, and he made a winning figure on the stump,” noted political historian Lewis L. Gould.³⁸

It has also been argued that Harding won the nomination because he looked “presidential.” Harding was described by William Allen White as “a handsome young dog, a little better than six feet tall, straight, with well-carved, mobile features, a good shock of black hair, dark olive skin, fine, even teeth, and an actor’s mouth.”³⁹ Although Harding may have fit the presidential look, the deadlocked GOP convention provides proof that the publisher from Marion was more than a pawn of party bosses or a good-looking image, something which has not disappeared from today’s political process.

Nevertheless, Harding was being compared to another Ohio Republican, President William McKinley, whom Harding admired and emulated a similar front-porch style campaign. McKinley was also considered mediocre, just as Dwight Eisenhower, but both served as capable presidents.

The Republican Party platform of 1920 was more conservative than progressive and fit the political mold of Harding. The platform called to restore constitutional government and the Party pledged to undertake “to end executive autocracy and restore to the people their

constitutional government.”⁴⁰ The platform attacked President Wilson’s domestic policy of high taxation, high cost of living, unpreparedness for both war and peace, and United States foreign policies.⁴¹ The platform upheld traditional Republican policies of government expenditure and tax reduction, economic nationalism, restoring the constitutional powers of the legislative and executive branches, among others.⁴²

The election of 1920 was a reaction to President Wilson, his foreign policy, and progressive politics. The result was a landslide, or “earthquake” as Wilson’s secretary described it, for the Harding-Coolidge ticket.⁴³ In the first presidential election where women could participate because of the 19th Amendment to the Constitution, the Harding-Coolidge ticket “amassed over 16 million popular votes (404 Electoral Votes) to over 9 million (127 Electoral Votes)” for the Democrat candidate James Cox, who was also from Ohio, and the young New Yorker, Franklin D. Roosevelt.⁴⁴

The election of Warren Harding did in fact represent a shift in American politics away from progressivism. Harding’s return to normalcy was the message that spoke directly to a nation that was tired of Wilsonian liberalism. Robert K. Murray wrote that Harding’s campaign “speeches intelligibly and accurately defined the conservative Republican position as of 1920,

and to a nation growing weary of Wilsonian liberalism these utterances possessed considerable appeal.”⁴⁵ The conservative message of economic nationalism, tax and spending relief, government reduction, immigration reform, among others appealed to voters in 1920. Harding’s normalcy was not just empty rhetoric, but a political message to the nation pledging a return to traditional constitutional government.

The Normalcy Program

On March 4, 1921, Warren G. Harding was inaugurated the 30th President of the United States. In his Inaugural Address he called for restraint in government.

We can reduce the abnormal expenditures, and we will. We can strike at war taxation, and we must. We must face the grim necessity, with full knowledge that the task is to be solved, and we must proceed with a full realization that no statute enacted by man can repeal the inexorable laws of nature. Our most dangerous tendency is to expect too much of government, and at the same time do for it too little. We contemplate the immediate task of putting our public household in order. We need a rigid and yet sane economy, com-

bined with fiscal justice and it must be attended by individual prudence and thrift, which are so essential to this trying hour and reassuring for the future.⁴⁶

President Harding set a conservative tone for his administration calling for “administrative efficacy, for lighter tax burdens, for sound commercial practices,” the elimination of governmental interference with business, and for an “end to government’s experiment in business.”⁴⁷ He called for a traditional conservative foreign and economic policy that placed America first and held to the advice of Washington’s Farewell Address. The President also made clear that government alone, especially the Executive alone, could not carry the full responsibility of solving the nation’s ills. “If I felt that there is to be sole responsibility in the Executive for the America of tomorrow I should shrink from the burden. But here are a hundred million, with common concern and shared responsibility, answerable to God and country. The Republic summons them to their duty, and I invite cooperation,” stated Harding.⁴⁸

The new President demonstrated his commitment to fiscal restraint by keeping the inaugural ceremony simple and holding “no public-sponsored inaugural ball,” which was the opposite plan of Harding’s inaugural committee chair-

The Presidency of Warren G. Harding

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man.⁴⁹ The President's address lasted thirty-seven minutes, and while the speech was considered average by most at the time, it spoke to not only the present time, but also to average Americans.⁵⁰ The election results proved that main street America had grown weary of Wilsonian idealism and progressivism. The Progressive Movement, which had dominated American politics up to the election of Harding, had changed American government and society. In fact progressives captured “about seventy percent of the vote” in the 1912 presidential election voting for Wilson and the Bull Moose ticket of Roosevelt.⁵¹

Under the administration of Theodore Roosevelt and continuing through the administration of Woodrow Wilson, the size and scope of the federal government increased significantly.⁵² Harding faced a federal government that was heavily influenced by progressive policy:

The number of federal employees had grown from 239,476 in 1901 to 655,265 in 1920, while federal expenditures had gone from \$520,861,000 in 1900 to \$6,403,344,000 in 1920, and the gross federal debt had grown from \$1,263,417,000 in 1900 to \$24,299,321,000 twenty years later. Whether alive or dead as a movement in 1920,

the influence of progressivism in that year was great.⁵³

The effects of World War I, the Great War, also confronted Harding. America's involvement in the Great War enlarged the leviathan state, just as the progressive policies had done during peace time. During the campaign, Harding was confronted with the big foreign policy question: President Wilson's League of Nations and whether the United States should become a member. President Wilson, throwing all his energy into U.S. membership for the League, suffered a debilitating stroke, which ended his crusade and the Senate eventually rejected League membership.

Although Republicans did not all agree on League membership, many Republicans, including Harding, advocated a return to a more traditional foreign policy that reflected Washington's warning in regard to entangling alliances. The GOP platform stressed that Wilson's “covenant repudiated...the time honored policies in favor of peace declared by Washington, Jefferson, and Monroe...”⁵⁴ The post war situation created economic problems with the Administration's war bureaucracy, regulation, taxation, and unorganized demobilization.

Before, in 1914, the nation had been in recession, but the outbreak of war in Europe and the demand for American manufacturing resulted in a

turnaround for the economy.⁵⁵ On Wall Street, the Dow-Jones Industrial Average “had the biggest annual percentage gain in its history, 86 percent, in 1915,” the nation’s manufacturing increased twenty-five percent, and the gross national product “increased by twenty-one percent in the four years of the war.”⁵⁶

On the home front, war usually results in big government, and United States’ mobilization and entry into the European war increased the size and scope of federal spending, bureaucracy, and regulation. “Since 1865 the government had never spent more in one year than the \$746 million it had spent in 1915. The national debt that year was a mere \$1.191 billion.”⁵⁷ At the conclusion of the Great War, “annual government outlays were never less than \$2.9 billion, and the national debt rose to more than \$25 billion in 1919.”⁵⁸ The income tax also increased during the war years. The income tax, under the Sixteenth Amendment to the Constitution, had been one of the major pillars of the progressive movement with the objective of collecting more government revenues from wealthy citizens. Beforehand, the federal government relied upon protective tariffs for revenues, but the Wilson administration sought to lower tariffs.

The Administration’s war policies resulted in the income tax spreading into the middle class.⁵⁹ “The personal exemption, which had been at \$3,000,

was dropped to \$1,000. The tax rate, a mere 7 percent on income more than \$500,000 before the war, rose to 77 percent.”⁶⁰ As Economic historian John Steele Gordon has noted, “the income tax thus became the most important source of federal revenues, as it has remained ever since. And this changed the nature of the endless debate over taxes.”⁶¹ At the end of the war the United States stood as both an industrial and economic power and a creditor nation, but as Harding prepared to begin his presidency, the economy he inherited was in shambles. Harding was faced with not only high taxation, economic regulations, and wartime bureaucracy, but also the unorganized demobilization from the war, unemployment, and inflation.

President Wilson did not have any comprehensive plan for demobilization, which included returning soldiers from the European front and cancelling about \$35 billion of war contracts, which “dealt a staggering blow to the industrial community, and the wartime employment figure of 40 million skidded sharply.”⁶² “By February 1919 an estimated 3 million persons were unemployed,” but by June “an upsurge in the economy caused a decline in unemployment, but it was accompanied by a ruinous rise in prices.”⁶³ The cost of living increase hit every citizen and “by November 1919 the cost of living was 82.2 percent above the 1914 level,” and by

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the summer of 1920 the rate “stood at 104.5 percent.”⁶⁴ The unstable economic conditions of the postwar economy produced the “sharp economic downturn of 1920 and 1921.”⁶⁵ The economic crisis of 1920 and 1921 is argued to be by “far the most important business cycle development of the first three decades of the twentieth century...”⁶⁶

Both the Progressive era and World War I shaped the political scene which Harding inherited in 1921. The presidential administrations from 1901 to 1920, with the exception of William Howard Taft, had been dominated by presidents who believed in a strong and broad view of executive power. Harding, who was suspicious of strong executive power, wanted to devise an effective cabinet to formulate policy. “Our vision includes more than a Chief Executive; we believe in a Cabinet of highest capacity, equal to the responsibilities which our system contemplates...,” noted Harding.⁶⁷

Harding went about selecting a cabinet that is often seen in two different ways. In selecting his cabinet Harding chose members of the Republican Party who were not all considered part of the conservative old guard. In fact, Harding selected three progressive Republicans to fill the positions of Secretary of State, Secretary of Agriculture, and Secretary of Commerce. As Secretary of State, Harding selected Charles Evan Hughes, a progressive

Republican lawyer and future Chief Justice of the Supreme Court. Henry C. Wallace, a progressive from Iowa who edited the famous agricultural journal *Wallace's Farmer* was selected to be Secretary of Agriculture. Finally, Harding selected the Great Engineer and Great Humanitarian, Herbert C. Hoover, for the post of Secretary of Commerce.

Hoover had previously served as Secretary of Food Administration in the Wilson administration. Although a Republican, conservatives in the GOP viewed him with suspicion for his service in the Wilson administration and his activist tendencies. One of the many criticisms leveled at Harding was the idea that party bosses controlled his decision making. In fact, Harding liked Hoover and appointed him as a compromise with conservatives, who distrusted Hoover, in exchange for appointing Andrew Mellon, the Pittsburgh businessman and financier, as Secretary of the Treasury.

Mellon, who became the Administration's point man on tax and fiscal issues, was the most conservative of Harding's all-star cabinet. Mellon, who would shape economic and tax policy during the 1920s, shared the limited-government and pro-business views of government that Harding favored. “Not since the laissez-faire heyday of McKinley at the turn of the century had Washington seen an administration so unequivocally in favor of pri-

vate enterprise and individual self-advancement as that which Andrew Mellon now joined,” noted Mellon biographer David Cannadine.⁶⁸ The Harding (and later Coolidge) administration developed a political philosophy after his [Mellon’s] “own heart.”⁶⁹

Harding’s cabinet selections demonstrated his independence from Republicans of the Senate or party bosses. He assembled a cabinet which he believed would best carry out his policy objectives. Harding’s all-star cabinet with Hughes, Wallace, Mellon, and Hoover would also be overshadowed by some of Harding’s most terrible executive appointments, such as Albert Fall, Secretary of the Interior, and Harry Daugherty as Attorney General. Hughes, Wallace, Mellon, and Hoover all had expertise in their respective Departments and Harding’s selection of these four giants further proved that he believed that the executive office was not just a one-man shop, as Wilson believed. Harding “appointed some of the strongest cabinet-level officers in history,” but he also added to those strong individuals friends who were careless of their public and personal responsibilities.⁷⁰

“Our supreme task is the resumption of our onward, normal way. Reconstruction, readjustment, restoration all these must follow,” stated Harding in his Inaugural Address.⁷¹ The aftermath of the Great War was the Administration’s first challenge. The nation was in an up

and down economy because of the unsteadiness of demobilization and rising unemployment. The Harding administration had the task of undoing the “greatest centralization of power in the history of this nation,” by President Wilson, who practiced “virtual one-man rule.”⁷² The Administration’s goal was to “restore efficiency to government, to make sure that government ran in a business-like manner.”⁷³ Harding wanted to “reduce tax burdens, create sound commercial practices with adequate credit facilities, examine agricultural problems sympathetically, end unnecessary government interference with business, and establish business practices throughout the federal government.”⁷⁴ As President, Harding not only looked to William McKinley as an example of how a president should wield power, but he also wanted to implement “America first” policies, which meant “orthodox” McKinley style policies, especially the protective tariff. As the President told Congress, “First in mind must be the solution of our problems at home, even though some phases of them are inseparably linked with our foreign relations. The surest procedure in every government is to put its own house in order.”⁷⁵

Tax Reform, Budget Reduction, and Tariff Reform

The economy, tax relief, and the tariff became priority issues for President Harding. A

The Presidency of Warren G. Harding

“Harding wanted to reduce tax burdens, create sound commercial practices with adequate credit facilities, examine agricultural problems sympathetically, end unnecessary government interference with business, and establish business practices throughout the federal government.”

Governing by the Founder's Constitution:

“The depression of 1920-1922 is considered by some economists to be just as severe as or more severe than, the Great Depression, but it only lasted a short time since the economy was in recovery by 1922.”

slight recovery in the economy occurred in 1919, but inflation and unemployment were large concerns, in addition to the unstable agricultural sector. The depression of 1920-1922 is considered by some economists to be just as severe as or more severe than, the Great Depression, but it only lasted a short time since the economy was in recovery by 1922.⁷⁶ “Unemployment rose to the double-digit level in 1921,” and the annual rate “reached 11.7 percent — some months within that year witnessed even higher unemployment—possibly as much as 15 percent.”⁷⁷

To resolve the depression, Harding asked Congress for tax and tariff reform. In addition, Secretary of Commerce Herbert Hoover called a conference on the unemployment situation which exemplified the Secretary’s philosophy of associationalism. Harding, in a special address to a joint session of Congress on April 12, 1921, called for both tax and tariff reform as well as limiting federal spending. As Harding told Congress:

I know of no more pressing problem at home than to restrict our national expenditures within the limits of our national income, and at the same time measurably lift the burdens of war taxation from the shoulders of the American people.⁷⁸

Harding argued that the “unrestrained tendency to heedless expenditure and the attending growth of public indebtedness, extending from federal authority to that of state and municipality and including the smallest political subdivision, constitute the most dangerous phase of government today.”⁷⁹

Harding clearly told Congress that recovery and restoration would be found in tax relief, restricting expenditures, and making the federal budget process more efficient.⁸⁰ Harding explained his view of government to Congress:

I have said to the people we meant to have less of Government in business as well as more business in government. It is well to have it understood that business has a right to pursue its normal, legitimate, and righteous way unimpeded, and it ought have no call to meet government competition where all risk is borne by the public Treasury.⁸¹ (Emphasis added).

In an era of progressivism and the aftermath of war, Harding understood that limiting expenditures was “far more easily said than done.”⁸² “In the fever of war our expenditures were so little questioned, the emergency was so impelling, appropriation was so unimpeded that we little noted millions and counted the Treasury inexhaustible,” noted

Harding.⁸³ Harding's solution rested not with using the strong arm of government, which Franklin Roosevelt would do during the Great Depression, but by cutting taxes and government expenditures. Harding told Congress that "we shall hasten the solution and aid effectively in lifting the tax burdens if we strike resolutely at expenditure."⁸⁴ In addressing high inflation, Harding told Congress that "the high cost of government" was the culprit for the economic problems facing the nation.⁸⁵ "There can be no complete correction of the high living cost until government's cost is notably reduced," argued Harding.⁸⁶

In addition to tax and expenditure cuts, Harding called for tariff revision. The Republican Party, inheriting the Whig preference of Henry Clay's American System and economic nationalism, championed a protective tariff. Republicans believed that tariffs were vital to American industry and economic health. As William McKinley stated in 1886 in regard to the tariff issue, "...stand by the protective policy, stand by American industry, stand by that policy which believes in American wages for American citizens."⁸⁷ Harding continued the tradition of Republican Presidents, including progressive Republicans such as Theodore Roosevelt, who favored the protective tariff. "I believe in the protective tariff policy and know we will be calling for its saving Americanism again,"

noted Harding in his acceptance speech to the Grand Old Party.⁸⁸

Harding reiterated his support for a protective tariff to Congress:

I believe in protection of American industry, and it is our purpose to prosper America first. The privileges of the American market to the foreign producer are offered too cheaply today, and the effect on much of our own productivity is the destruction of our self-reliance, which is the foundation of the independence and good fortune of our people. Moreover, imports should pay their fair share of our cost of government. One who values American prosperity and maintained American standards of wage and living can have no sympathy with the proposal that easy entry and the flood of imports will cheapen our cost of living... The maturer (sic) revision of our tariff laws should be based on the policy of protection, resisting the selfishness which turns to greed, but ever concerned with that productivity at home which is the source of all abiding good fortune. It is agreed that we cannot sell unless we buy, but ability to sell is

The Presidency of Warren G. Harding

"Harding told Congress that 'we shall hasten the solution and aid effectively in lifting the tax burdens if we strike resolutely at expenditure.' In addressing high inflation, Harding told Congress that 'the high cost of government' was the culprit for the economic problems facing the nation."

Governing by the Founder's Constitution:

“Harding believed that the federal government could be used as a moral good as long as government remained prudent and did not overreach itself fiscally or constitutionally.”

based on home development and the fostering of home markets. There is little sentiment in the trade of the world. Trade can and ought to be honorable, but it knows no sympathy.⁸⁹

Harding believed “that the American marketplace was being offered too cheaply to foreign producers,” and he believed the agricultural sector was the hardest hit by foreign competition.⁹⁰

It is normally assumed that the Republican politics of the 1920s, the politics of normalcy, was dominated by unfettered laissez-faire. Although Harding believed in limited constitutional government, he was not a libertarian nor was he a progressive, rather he was a conservative. Harding believed that the federal government could be used as a moral good as long as government remained prudent and did not overreach itself fiscally or constitutionally. For example, Harding demanded fiscal prudence. “Congress can not justify a mere gift from the federal purse to the several states, to be prorated among counties for road betterment. Such a course will invite abuses which it were better to guard against in the beginning,” noted Harding.⁹¹

Harding reminded Congress that they “ought to prescribe conditions to federal appropriations which will necessitate a consistent program of uniformity which will justify the fed-

eral outlay.”⁹² “Congress must perfect the policy of generous gratitude, and conscientious administration must stamp out abuses in the very beginning,” proclaimed Harding.⁹³

Harding's Leadership: Normalcy as Policy

Harding's special address to Congress in the spring of 1921 was not only considered “the best of his career,” but also established the principles of the normalcy political program.⁹⁴ In regard to the economic recession, Harding rejected the progressive notion of government intervention, and he believed “matters would be adjusted naturally.”⁹⁵ It was Harding's belief that the best way for government to respond to such an economic crisis was by “cutting taxes, limiting expenditures, and providing tariff protection.”⁹⁶ As Harding biographers Eugene Trani and David Wilson write:

Reducing, not enhancing, the government's role in the economy was the goal. The government's responsibility was to aid business rather than shackle it by federal regulations. Competition and nature would ultimately solve the major economic problems facing the nation. Harding was sincere in his desire to have less government in

business as well as more business in government.⁹⁷

Robert Murray, a Harding biographer and scholar, argued that Harding's address revealed that he "was aware of all the major problems confronting the nation, but it indicated that he was more advanced in his thinking about the range of difficulties facing the country than were many congressmen who were currently worried only about their own specific concerns."⁹⁸

Harding did not share the stewardship view of the presidency of Roosevelt and Wilson. Both Roosevelt and Wilson believed that the President's function was to lead Congress and to establish and push the legislative agenda rather than recommending a certain policy direction. Harding's special address to Congress proved that though he was not just going to sit back and wait for Congress "to dictate a program," his beliefs about presidential power did not permit him to use the "bully-pulpit" of the office to pressure Congress.⁹⁹ The Republicans held the majority in the sixty-seventh Congress. "The House seated 303 Republicans out of 435, the largest majority in party history."¹⁰⁰ The GOP held the majority in the Senate as well with fifty-nine Republicans to thirty-seven Democrats.¹⁰¹ Although the GOP congressional majority was solid, the Party still had problems with unity. However, on the issues of immigration, the tariff, and the budget,

the Congress was able to act swiftly.¹⁰²

Immigration and Tariff Reform: America First

Both immigration reform and the tariff followed Harding's commitment to America-first policies. The immigration bill placed quotas and other restrictions on immigration in order to control and assimilate immigrants. Harding believed in the importance of Americanism, that is, a citizenry unified by common support of the American system. As Harding stated:

If any man seeks the advantages of American citizenship, let him assume the duties of that citizenship. If he wishes the freedom of America, let him subscribe to freedom's protection. If he craves our hospitality, let him not abuse it. If he wishes to profit by American opportunity, let him join in making the same opportunity open to others. One can not be half American and half European or half something else.¹⁰³

Harding also argued that one who seeks American citizenship must renounce his "allegiance to the land from which he came and a heart and soul consecration to this republic."¹⁰⁴ The immigration reform bill, the Per Centum Law, "effectively

The Presidency of Warren G. Harding

"Harding believed in the importance of Americanism, that is, a citizenry unified by common support of the American system."

Governing by the Founder's Constitution:

“The Budget and Accounting Act fulfilled the Administration's ‘desire to reduce government expenditures and inject business methods into government operations...’”

reduced the number of entering aliens from 805, 228 in 1920 to 309,556 in 1921-22.”¹⁰⁵

“Anticipating a post-war surge in imports, as a consequence of the low Underwood tariff rates and the disruptive pricing practices of foreign cartels,” Republicans, including Harding, campaigned on their “historic commitment to ‘protective principles’.”¹⁰⁶ Harding not only took his view of presidential power from William McKinley, but also McKinley’s political philosophy, which was described as being an “American nationalist.”¹⁰⁷ Harding described McKinley as the “Apostle of the Protective Tariff,” and he urged tariff reform to protect both industry and agriculture. Congress obliged and revised tariffs, and later passed the Fordney-McCumber Tariff Act, which represented a “return to pre-World War I protection, for Congress feared European producers could undersell U.S. manufacturers.”¹⁰⁸ In addition, Harding who “interceded” on the tariff discussion was able to get the Senate Finance Committee to agree to allow the President the authority “to retaliate unilaterally against foreign discrimination.”¹⁰⁹

Budget Reform

The tariff issue was only part of Harding’s economic policy aimed at economic recovery. Harding’s plan to revitalize the economy fit into the larger normalcy political

program of making government more business orientated, while cutting the size and scope of government and lowering the tax burden. To achieve the goal and necessity of introducing more sound business methods into government, Congress passed the Budget and Accounting Act of 1921, which reformed the federal budget process. The Act established the Bureau of the Budget and required the President to “compile an annual, comprehensive executive budget based on estimates of both the government’s financial needs and its revenues for the coming fiscal year.”¹¹⁰

The General Accounting Office was also created by the Act to serve as “an auditing arm of Congress.”¹¹¹ The Budget and Accounting Act fulfilled the Administration’s “desire to reduce government expenditures and inject business methods into government operations...”¹¹² Harding turned to his Budget Director, Charles G. Dawes, who shared views with Harding and Secretary Mellon. Dawes immediately took on the task of reducing federal expenditures. Dawes made cuts in the budget, for example “the Navy was forced to return over \$100,000, while the Agricultural Department found itself shorn of over \$25,000,000.”¹¹³

Harding’s fiscal year budget for 1922-1923 called for reduced expenditures. Harding and Dawes proposed a “\$3,505,754,727 budget and when the fiscal year ended in 1923, there was an unspent

surplus, of over one billion dollars.”¹¹⁴ By “June 30, 1923, federal expenditures had been cut still further to \$3,294,000,000,” which “represented almost a \$2 billion savings over the final Wilson year of 1921.”¹¹⁵ Harding “kept faith” on the principle of reducing government, which in itself required leadership and diligence.¹¹⁶ Although Harding had a Republican-controlled Congress and cabinet members who to a large extent leaned conservative, he still had to hold the line on spending and tell money-hungry Congressmen and cabinet officers “no” to additional budget requests. Robert Murray quotes Dawes giving full credit to Harding, and he [Dawes] described his experience under Harding as ““none more satisfying.””¹¹⁷ As Dawes wrote: ““This work could not have been done under a weak, vacillating, or irresolute man... Without him a mere budget law would mean little or nothing.””¹¹⁸

Andrew Mellon and Tax Reform

Harding’s approach to the economy brought more confidence to business than the Wilson approach. Harding’s seriousness was matched by his selection of Dawes and Mellon, whose appointment allowed businesses to breathe easier.¹¹⁹ In fact, Murray quoted one banker who referred to Mellon’s appointment as representing ““a tremendous uplift for the Country’s business

future.””¹²⁰ Mellon, who was the Administration’s lead on financial concerns, pressed not only for government expenditure reductions, but also significant tax reform. “Reducing taxes was obviously one of the most pressing domestic problems confronting the Administration in the spring of 1921.”¹²¹ Mellon viewed the principle of taxation in a different light than progressives. “He [Mellon] certainly did not view taxes as a means of combating society’s ills or redistributing wealth, but only as a means of government revenue.”¹²²

As Mellon wrote in *Taxation: The People’s Business*: Tax revision should never be made the football either of partisan or class politics, but should be worked out by those who have made a careful study of the subject in its larger aspects and are prepared to recommend the course, which in the end, will prove for the country’s best interest. 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

The Presidency of Warren G. Harding

“This work could not have been done under a weak, vacillating, or irresolute man... Without him a mere budget law would mean little or nothing.”

Governing by the Founder's Constitution:

“It seems difficult for some to understand that high rates of taxation do not necessarily mean large revenue to the Government, and that more revenue may often be obtained by lower rates,” argued Mellon.

we shall have class legislation with all its attendant evils.¹²³

Mellon also shared Harding's view of operating government on the plan of business. “The Government is just a business, and can and should be run on business principles,” stated Mellon.¹²⁴ Both Harding and Mellon agreed that the “three keys to restoring prosperity and business health were decreasing taxes, reducing the national debt, and maintaining a rigid economy in government operation.”¹²⁵

Mellon argued that taxation must be sound in order to provide sufficient revenue for the government while at the same time not hurting individuals and curbing economic growth. In *Taxation*, Mellon outlined three principles for taxation:

A sound tax policy must take into consideration three factors. It must produce sufficient revenue for the Government; it must lessen, so far as possible, 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, in the last analysis, so much of our prosperity depends.¹²⁶

Mellon also argued that high taxes not only stifled economic

growth and hurt individuals, but also did not necessarily translate into more revenues for the federal government. “It seems difficult for some to understand that high rates of taxation do not necessarily mean large revenue to the Government, and that more revenue may often be obtained by lower rates,” argued Mellon.¹²⁷ Mellon understood that if middle and upper class citizens were forced to pay high tax rates, then the result would be devastation for the economy at large. “By decreasing tax rates at the upper levels, according to Mellon, the government possessed a better chance not only to collect more taxes, but also to spur the expansion of business and industry.”¹²⁸

Lowering tax rates provides economic incentive, spurs economic growth, and accelerates investment. As Mellon wrote:

On the other hand, a decrease of taxes causes an inspiration of trade and commerce which increases the prosperity of the country so that the revenues of the Government, even on a lower basis of tax, are increased... High taxation, even if levied upon an economic basis, affects the prosperity of the country, because in its ultimate analysis the burden of all taxes rests only in part upon the individual or property taxed.¹²⁹

Mellon was also a Hamiltonian in his economic approach, and he not only is considered the greatest treasury secretary since Hamilton, but he also shared Hamilton's concern over debt. Mellon believed that large debts were bad for economic health. As Robert Murray wrote in regard to Mellon and debt:

It was simply 'common sense' to pay the debt; the liquidation of the debt would obviate the necessity of supporting bondholders through the payment of interest collected as taxes from the nation at large. Furthermore, payments on the debt principal would find their way back into the economy through capital investments, whereas if no payments were made this amount would probably be dissipated by the government 'in useless expenditures.'¹³⁰

Thus, Mellon pushed for reduction in spending, paying down the debt, and tax relief. The Harding economic plan was not only the opposite of progressive policies, but also a constitutional approach to restore the federal government back to its proper place and in turn bring recovery back to the economy.

The Revenue Act of 1921, which was passed and signed into law by Harding on November 23rd, was a compromise tax bill.¹³¹ Before discussing the details of the Revenue Act,

it is important to understand why tax relief was such an essential policy objective for the Administration. In preparing the nation for war, President Wilson not only placed heavy regulation on businesses, but he also, with the blessing of Congress, increased taxes. Professor Burton Folsom, an economic historian, explained the tax situation in 1916:

In 1916 in response to President Wilson's program of preparedness for war, Congress hiked the income tax rate. It became two percent on incomes under \$20,000 and rose to fifteen percent on incomes of two million or more... The next year the U.S. entered the First World War: expenses soared to the highest levels in U.S. history, massive government programs bought food, weapons, and equipment for America and her allies. The government also set prices and wages, and controlled production of scores of industries. Wilson used the income tax to raise much of the money needed to wage war: rates started at four percent and soared to seventy-seven percent on top incomes. Corporate taxes rose to eighteen percent.¹³²

In addition, Americans "paid over \$7 billion in taxes during

The Presidency of Warren G. Harding

"Mellon pushed for reduction in spending, paying down the debt, and tax relief. The Harding economic plan was not only the opposite of progressive policies, but also a constitutional approach to restore the federal government back to its proper place and in turn bring recovery back to the economy."

Governing by the Founder's Constitution:

*“The seven years
from the autumn of
1922 to the autumn
of 1929 were
arguably the
brightest period in
the economic
history of the United
States.”*

the war years,” and “the national debt skyrocketed from \$1.5 billion in 1916 to \$24 billion in 1919.”¹³³ The tax burden that Wilson and Congress placed on individuals and businesses was immensely too heavy and in the process caused economic decline.

The Revenue Act of 1921 would be followed up by other Revenue Acts in the 1920s, but the '21 Act was a legislative compromise, which Mellon did not find too appealing. Mellon had lobbied for a thirty-two percent surtax rate (the original rate was sixty-five percent), but both houses of Congress agreed on a fifty percent rate.¹³⁴ In addition, the compromise called for retention of the “excess profits tax until January 1, 1922.”¹³⁵ Another defeat for Mellon consisted of a raise in the corporate tax rate from ten to twelve and a half percent.¹³⁶ Although Mellon did not achieve the level of tax reduction he preferred, the Revenue Acts of 1924 and 1926 achieved significant tax reform.

As Veronique de Rugy of the CATO Institute writes:

The combined top marginal normal and surtax rate fell from 73% to 58% in 1922, and then to 50% in 1923 (income over U.S. \$200,000). In 1924, the top tax rate fell to 46% (income over U.S. \$500,000). The top rate was just 25% (income over U.S. \$100,000) from 1925 to 1928, and then fell to 24% in 1929.¹³⁷

The budget and tax cuts of the Harding administration triggered a period of economic growth in the American economy. “The seven years from the autumn of 1922 to the autumn of 1929 were arguably the brightest period in the economic history of the United States.”¹³⁸

The Harding-Mellon economic policies helped bring a quick resolution to the recession and “by July 1921 it was all over and the economy was booming again.”¹³⁹ Harding and Mellon dealt with “one of the sharpest recessions in American history,” by reducing “government expenditures by a huge forty percent from Wilson’s peacetime level, the last time a major industrial power treated a recession by classical laissez-faire methods...”¹⁴⁰ The Republican policies initiated by Harding and continued under President Coolidge created a strong economy. As Michael A. Bernstein wrote:

From 1920 to 1929, total manufacturing output rose a bit over 50 percent, an aggregate figure that masked even more rapid rates of growth in major sectors of the economy. Primary manufacturing grew at a rate of 2.5 percent per year; end-product manufacturing increased 4 percent per year throughout the decade. By 1929, the economy of the United States

produced four-tenths of the world's coal, seven-tenths of the world's petroleum, a third of the world's hydro-electric power, half the world's steel, and virtually all of the world's natural gas.¹⁴¹

The Harding economic program ended a recession and brought economic stability and health back to the national economy using limited-government means.

The Bonus Bill: A Forgotten Story of Presidential Leadership

President Harding showed remarkable leadership in the legislative battle over the veterans Bonus Bill. "Between July 1921 and September 1922, the administration of Warren G. Harding was embroiled in a prolonged dispute with Congress on the issue of cash compensation for veterans of the First World War."¹⁴² The Administration not only faced a faltering economy in 1921, but also political pressure was being applied by Democrats, Republicans, and the American Legion of Ex-Servicemen, "one of Washington's most powerful lobbying groups," who were all in favor of legislation granting bonuses to veterans.¹⁴³ Harding argued that veterans would receive support from a "Republican administration," and a bonus was "feasible but dependent upon economic conditions..."¹⁴⁴ The Adminis-

tration had also campaigned on a more conservative economic agenda, as discussed above, which focused on reducing federal expenditures, tax relief, and reducing the national debt.

"By offering deep cuts in federal spending in tandem with sizable reductions in tax income, Republicans impressed voters with their fiscal rectitude but left little room for costly new projects."¹⁴⁵ Nevertheless, Congress pushed forward with a Bonus Bill designed to grant cash bonuses to veterans. The cost estimate for the Bonus Bill (Veterans' Adjusted Compensation bill S. 506) was estimated at \$1,506,000,000 (cash plan) and \$5,273,000,000 (insurance option).¹⁴⁶ A Bonus Bill would add an additional entitlement, which would go against the Administration's economic objectives and require additional revenues to pay for any bonus program. The Bonus legislation left the Administration between a rock and a hard place, because if Harding opposed the legislation he would be seen as cold-hearted and unthankful for the service of many soldiers who served in the Great War. On the other side of the coin, if Harding supported the legislation, he would be forced to go back on the Republican promise of reining in government and adopting tax reform, which meant asking both Mellon and Dawes to rework their tax and budget proposals.

J.W. Harriman of Harriman National Bank wrote President

The Presidency of Warren G. Harding

"President Harding showed remarkable leadership in the legislative battle over the veterans Bonus Bill."

Governing by the Founder's Constitution:

“Harding understood the importance of fiscal restraint and the need to stay the course on the normalcy economic agenda and he argued that he would support Bonus legislation only on the grounds that Congress created a path to pay for the program, which meant tax revenues.”

Harding in regard to the Bonus issue. Harriman argued that the GOP should not make the Bonus issue “a party obligation.”¹⁴⁷ “If they are looking at it from a political standpoint, they are evincing cowardice. They will be unable to enact legislation that will carry with it provision for the funds with which to pay....,” wrote Harriman in reference to the Republicans in Congress.¹⁴⁸ Harriman also reminded Harding that the main objective was “making an effort to encourage — trying to get it on its feet.”¹⁴⁹ He argued that if the Harding economic plan was implemented fully, then the issue would disappear because veterans would have jobs and a healthy economy would eliminate a need for entitlement.

A referendum (Harriman’s solution to the Bonus Bill) would defer this subject until the people of the country can decide — next November, and by that time through your able Administration and the efforts of businessmen, trade may be resumed in many lines to such an extent as would materially reduce the number of unemployed, a large portion of which are servicemen who are now clamoring for a Bonus. A Bonus today with more taxes to meet will dampen the ardor of all businessmen, and the Bonus awarded will

go little toward offsetting the loss of jobs.¹⁵⁰

In a letter to Congressman Ernest R. Ackerman, the President stated that he was “persuaded that it is futile to undertake such legislation without including taxation provisions to meet the obligations imposed.”¹⁵¹

Harding understood the importance of fiscal restraint and the need to stay the course on the normalcy economic agenda and he argued that he would support Bonus legislation only on the grounds that Congress created a path to pay for the program, which meant tax revenues. “The proposal, [Harding] knew, stood little chance of acceptance because any new tax would take effect just before the 1922 midterms.”¹⁵² Harding described the bill as a “menacing effort to expand billions in gratuities,” and the legislation would “greatly imperil the financial stability of our country.”¹⁵³

The battle over the veterans’ Bonus not only placed Harding in a difficult political scenario because of his commitment to his economic program, but it also created a problem in regard to his view of presidential power. As discussed above, Harding rejected the strong executive styles of Roosevelt and Wilson, and he believed that the President had a reserved role to play that did not call for dictating or interfering with the legislative branch unless necessary. Harding was now

confronted with a Congress that was pushing the Bonus Bill, which would be a deterrent to his larger objective of tax and spending reform.

“Hence, on July 12, 1921, in a precedent shattering move, Harding suddenly appeared before the Senate in person and, in a twenty-one minute address, scolded it [Congress] for being slow on tax revision.”¹⁵⁴ Harding, who was viewed as being a “puppet” to Congress and the GOP political machine, stood before the United States Senate to use the power of the presidency against the Bonus bill. Niall A. Palmer, a historian of the Harding era, wrote that “personal appearances by presidents in Congress had ceased early in the nineteenth century and had only been revived by Wilson in 1913.”¹⁵⁵ Harding believed in separation of powers, but at the same time he told his former colleagues that the “Executive branch of Government owes it to both Houses of Congress and to the country frankly to state the difficulties we daily are called upon to meet, and the added peril this measure would bring.”¹⁵⁶ Harding reminded the Senate that the main policy objective at this time was economic restoration through the normalcy program. “I am fully persuaded that three things are essential to the very beginning of the restored order of things,” noted Harding.¹⁵⁷

“These are the revision, including reduction, of our internal taxation, the refunding of our war debt, and the

adjustment of foreign loans.”¹⁵⁸ Harding argued that “it is vitally necessary to settle these problems before adding to our Treasury any such burden as is contemplated in the pending bill.”¹⁵⁹ Harding did not believe that the Bonus bill or veterans’ benefits was unimportant, but due to the current economic conditions such a program would not be prudent. As Harding stated:

If this measure could be made effective at the present time without disaster to the Nation’s finances and without hindrance to imperative readjustment of our taxes it would present an entirely different question than that which is before you.¹⁶⁰

Harding warned that “the enactment of the compensation bill in the midst of the struggle for readjustment and restoration would hinder every effort and greatly imperil the financial stability of our country.”¹⁶¹ Harding told the Senate that “it is unthinkable to expect a business revival and the resumption of the normal ways of peace while maintaining the excessive taxes of war.”¹⁶² In addition, “it is quite as unthinkable to reduce our tax burdens while committing our Treasury to an additional obligation which ranges from three to five billions of dollars,” argued Harding.¹⁶³

Palmer argued that Harding’s “high-profile speech caught the pro-business forces

The Presidency of Warren G. Harding

“Hence, on July 12, 1921, in a precedent shattering move, Harding suddenly appeared before the Senate in person and in a twenty-one minute address, scolded it [Congress] for being slow on tax revision.”

Governing by the Founder's Constitution:

“In response to the President's veto Congress tried to override, but the Senate failed to get a two-thirds majority to support an override. Harding's commitment to the limited government policies of his normalcy program was an act of great presidential courage and principle.”

off guard,” which then resulted in criticisms leveled toward the President regarding his use of Wilsonian executive power.¹⁶⁴ Nevertheless, Harding believed in terminating “the excess of the executive branch without surrendering its prerogatives,” which was an aspect of the Whig theory of presidential power.¹⁶⁵ Further, Harding understood, as noted by his speech to the Senate, that the goal of “driving toward that decreased expenditure,” was essential along with the tax and tariff reform.¹⁶⁶ Harding closed his remarks to the Senate by reminding Congress of his promise and the GOP's promise to bring back not only economic recovery, but also limited constitutional government. As Harding concluded:

I can make you no definite promise in figures today, but I can pledge you a most conscientious drive to reduce Government cost by many millions. It would be most discouraging to those who are bending their energies to save millions to have Congress add billions to our burdens at the very beginning...Contemplating the tremendous liability, which the Government never will shirk, I would be remiss in my duty if I failed to ask Congress to pause at this particular time, rather than break down our treasury from which

so much is later on to be expected. The defenders of the Republic amid the perils of war would be the last of our citizenship to wish its stability menaced by an individual pittance of peace.¹⁶⁷

Harding's maneuver of personally visiting the Senate chamber tabled the Bonus bill for a short period of time, but Congress would revise and resurrect it once again.

Both the House and Senate passed another compensation bill and President Harding “carried out his threat and vetoed the bill.”¹⁶⁸ In response to the President's veto Congress tried to override, but the Senate failed to get a two-thirds majority to support an override.¹⁶⁹ Harding's commitment to the limited government policies of his normalcy program was an act of great presidential courage and principle. Although the Republicans took a hit in the 1922 midterm elections, Harding believed, as he wrote in a letter to J.W. Harriman, that “I greatly deplore appropriations made in Congress which are inspired by a desire to promote political popularity.”¹⁷⁰ Harding's use of executive leverage during the Bonus compensation battle is not often cited as an example of presidential courage, but in fact he demonstrated a proper and prudent use of executive power while defending the principles of limited government — those very principles which the Republicans cam-

paigned on in 1920. President Harding's forceful opposition to the Bonus Bill is a lesson in presidential leadership.

Harding and Americanism

Warren Harding not only believed in limited constitutional government, but he also believed in Americanism, as defined by America's governing charters and the responsibility of citizenship. Harding held the creation of the Founding Fathers in high regard and argued that the Constitution was at the heart of Americanism. Regarding the formation of the Constitution, Harding stated:

On that day Americanism began, robed in nationality. On that day the American republic began the blazed trail of representative popular government. On that day representative democracy was proclaimed the safe agency of highest human freedom. On that day America headed the forward procession of civil, human and religious liberty, which ultimately will affect the liberation of all mankind.¹⁷¹

Harding called for responsible and dutiful citizenship and that it is not "enough to preach Americanism," but more "important to practice it."¹⁷² "In truth, my countrymen, we

need practical Americanism in business as well as proclaimed Americanism in politics," stated Harding.¹⁷³ Harding argued that "certain fundamentals are unchangeable and everlasting."¹⁷⁴

For Harding the Constitution and the rule of law are fundamental, as he stated:

There can be no liberty without security, and there can be no security without the supremacy of law and the majesty of just government...

Let no one proclaim the Constitution unresponsive to the conscience of the republic... It promptly responds to American conviction and is the rock on which is builded (sic) the temple of orderly liberty and the guaranteed freedom of the American republic.¹⁷⁵

"Our American course is straight ahead, with liberty under law, and freedom glorified in righteous restraint," noted Harding.¹⁷⁶ "Our system may be imperfect," said Harding, "but under it we have wrought to world astonishment, and we are only fairly begun."¹⁷⁷

Harding believed in the republican principle, the principle so eloquently championed by Abraham Lincoln, of equality of opportunity, that is, that each individual has the right to determine his destiny. "America spurns every commitment to the limits of mediocrity

The Presidency of Warren G. Harding

"Harding held the creation of the Founding Fathers in high regard and argued that the Constitution was at the heart of Americanism."

Governing by the Founder's Constitution:

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and bids every man to climb the heights and rewards him as he merits it,” proclaimed Harding.¹⁷⁸ Citizenship was indeed a moral responsibility for every citizen and Harding illustrated this before President John F. Kennedy’s famous words in his Inaugural address:

More, the American of today, tomorrow, and so long as the republic endures and triumphs, must be schooled in the duties of citizenship which go with the privileges and advantages thereof, and men and women of America are to find what they can do for orderly government instead of seeking what it can do for them.¹⁷⁹

Harding believed the Republican Party held close the virtues of the Founding and as he stated it “justifies our pride in the past...”¹⁸⁰

Harding also believed in American nationalism. In an age of globalization Harding’s words need to be considered. On a speech on Americanism, Harding stated:

Mr. Toastmaster, we have been hearing lately of the selfishness of nationality, and it has been urged that we must abandon it in order to perform our full duty to humanity and civilization. Let us hesitate before we surrender the nationality which is the very soul of highest

Americanism. This republic has never failed humanity or endangered civilization... Call it the selfishness of nationality if you will, I think it an inspiration to patriotic devotion — To safeguard America first. To stabilize America first. To prosper America first. To think of America first. To exalt America first. To live and revere America first. We may do more than prove exemplars to the world of enduring, representative democracy where the Constitution and its liberties are unshaken.¹⁸¹

And as Harding concluded, “in the spirit of the republic we proclaim Americanism and acclaim America.”¹⁸² Warren Harding believed that the Americanism of the Founders was unique in world history and “nothing in all history surpasses their achievement.”¹⁸³

The Harding Record

Gene Healy, a scholar with the CATO Institute, is the author of *The Cult of the Presidency: America’s Dangerous Devotion to Executive Power*, a recent work of scholarship that represents a defense of traditional (Whig theory) presidencies, such as the presidency of Warren Harding. In it, he states “the postwar era saw a return to earlier traditions of American governance:

a more restrained presidency, one that spoke more softly and shunned grand schemes to remake American society.”¹⁸⁴ Harding’s presidency was not perfect, but at the same time it was not a failure. As Healy argues, Harding’s “sins were sins of omission: negligent supervision and unmerited trust in his appointees.”¹⁸⁵ Although Harding’s administration, like that of President Ulysses S. Grant, was plagued by corruption, Harding “never profited from his cronies’ misdeeds.”¹⁸⁶ Nevertheless, Harding’s record as President had more positives than negatives:

Place those faults against Harding’s great merits: he presided over the dismantling of Wilson’s draconian war-time controls, ushering in an era of prosperous normalcy...By 1924, federal spending had been cut nearly in half, leading to large government surpluses.¹⁸⁷

Harding’s record was successful not only in regard to economics or his conservative political philosophy, but also in his appointments to the United States Supreme Court. Harding nominated and appointed four conservative justices to the Court, one of those appointments being the Chief Justice, William Howard Taft.

In addition to Taft, Harding appointed George Sutherland, Pierce Butler, and Edward Terry Sanford. Harding’s appointments, especially Taft,

Sutherland, and Butler, are often considered, especially by Progressives, as being too conservative in defense of limited government and economic liberty. Two of the Justices, Sutherland and Butler, would later become part of President Franklin D. Roosevelt’s famous “Four Horsemen of the Apocalypse,” the other two being Justice James McReynolds and Justice Willis Van Devanter. The Court under Taft was conservative and this trend continued into the 1930s until Roosevelt remade the Court starting in 1937.

Harding’s legacy can also be seen in the presidency of Calvin Coolidge, who as Vice President assumed the presidency after the President’s death. As President, Coolidge continued the normalcy program and did not alter the political course, which continued the pursuit of policies to restore constitutional government. As Robert Murray wrote:

More important, the normalcy program served to bring the nation out of the scare-ridden postwar depression days of Wilson into the buoyant, prosperous years of the middle and late 1920s. Such a result was precisely what normalcy had envisioned in theory and what its chief expounder, Warren Harding had promised. Ironically, however, although prosperity, government ‘without

The Presidency of Warren G. Harding

“As President, Coolidge continued the normalcy program and did not alter the political course, which continued the pursuit of policies to restore constitutional government .”

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excess,’ a cessation in the executive-congressional struggle, and a figurehead presidency were all part of Harding’s aspirations, they were never a part of his life. Only under Coolidge did the theory finally become practice.¹⁸⁸

Warren Harding left a legacy to future presidents that governing according to the Constitution, instead of adopting “progressive views,” is still applicable today. The notion that “weak” Presidents such as Harding, Coolidge, Hoover, or even Taft are failures because they did not use broad executive power does not hold up with the constitutional view of the presidency.

Harding’s politics of normalcy left a legacy that demonstrates that limited government not only works, but more importantly it follows the Constitution. “Political whims and popular personalities will come and go, but a political principle stands everlasting,” noted Harding.¹⁸⁹ In addition, Harding argued that “we have the duty to preserve the inherited covenant of the Fathers; we have the obligation to hand on to succeeding generations the very republic which we inherited.”¹⁹⁰ Harding stated that “it is good to meet and drink at the fountains of wisdom inherited from the Founding Fathers of the republic.”¹⁹¹ Perhaps it is fitting to conclude with a ques-

tion Harding posed in a speech honoring our nation’s first President, George Washington: “I wonder what the great Washington would utter in warning, in his passionate love of the republic and his deep concern about future welfare, if he could know the drift today?”¹⁹²

Endnotes

*This is an updated version of the Study first published in December 2008. The author and Institute thank Bruce G. Kelley, President of EMC Insurance Companies, for his insightful comments on the earlier version.

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TeachingAmericanHistory.org, <<http://www.teachingamericanhistory.org/library/index.asp?documentprint=954>> (May 7, 2008).

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