

Warren Harding and Presidential Leadership: The 1920s Economic Boom and the Politics of Normalcy

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ABSTRACT

Can the President affect the nation's short-run economic performance? If so, then by which mechanisms? Quantitative research has produced disparate, conflicting, and sometimes biased answers to these questions. Therefore, this paper presents a qualitative analysis of the administration of Warren Harding. During his brief time in office, Harding confronted the second worst economic contraction in the twentieth century, massive labor unrest, historic deficits and debts, and a federal government in chaos. Yet, within months of Harding's inauguration, this downward spiral had been reversed, and by the time he died in late summer 1923, the hard times were rapidly fading from memory; the "roaring twenties" would soon be under way. What role, if any, did Harding play in this swift recovery? Mocked in his own time as bungling and simple-minded, the evidence instead suggests that Harding was a skilled political leader who helped usher in a decade of unprecedented economic prosperity. A conservative who rarely took inflexible stands, Harding guided Americans back to the calm of "normalcy" after the upheavals of World War I and the Wilson administration. In fact, Harding saw Wilson as an incompetent autocrat, and himself as the antidote to years of wayward policy experimentation. Harding's goal was to reunify and settle a frazzled country, and to restore public confidence in its political-economic institutions. Taking the approach of a gregarious "master of ceremonies", Harding sought to facilitate, shepherd, and even act as a neutral arbitrator, rather than lead like a demagogue. Harding's particular leadership style and policy agenda may not be the optimum strategy for all presidents in all times, but they were highly effective at reuniting Americans in his era and putting them on a path towards economic prosperity. His administration reveals subtle, but powerful ways, that presidential leadership can affect economic performance.

I. Introduction

The American president is often credited with or blamed for US economic performance during, or soon after, his administration. Yet the president has few formal mechanisms with which to affect the economy.¹ Therefore it makes sense to ask whether the executive has any substantive responsibility for the nation's economic performance. And if so, then by what means? This paper uses an outlier case to probe the causal relationship between the presidency and the economy. It is motivated by recent scholarship which evaluated the relative economic performance of all the US presidents from 1789-2009.² Most prior research used either subjective or single measures of economic performance to arrive at disparate and conflicting conclusions. However, when a diverse array of objective, quantitative economic variables was analyzed (e.g. per capita gross domestic product, unemployment, inflation, balance of payments, economic inequality, currency strength, interest rates, and stock market performance), the results were a seemingly random order of success and failure (e.g. Hayes, Harding, McKinley, and FDR rank at the top; Arthur, Harrison, Hoover, and Van Buren occupy the bottom) which fit no existing theories particularly well. And even where existing theories do suggest a statistical relationship overall, the causal effects are small and there are many glaring outliers. This non-result dovetails with decades of research on presidential leadership which has failed to arrive at a consensus over what kinds of presidents, or presidential actions, backgrounds, or beliefs, tend to systematically benefit the economy. In other words, presidents appear to be mostly helpless bystanders; victims of the economic forces of their times.

This paper contradicts both the null hypothesis above and much previous research on the president's relationship with economic performance. It presents a subset of empirical results from a broader project. The broader project asks: what did the most economically successful presidents do (or not do), which the failures did not (or did)? Did the successful executives share any particular beliefs, leadership styles, or policy approaches which the failures did not (and vice versa)? It also investigates whether these results can explain several "natural experiments" in which a two-term president experienced vastly different economic results across his two terms. The research method takes the form of several years of qualitative case-study analysis, relying on primary and

¹ For a recent summary see Dolan, Chris J., John Fren dreis, and Raymond Tatalovich. 2008. *The Presidency and Economic Policy*. Lanham, MA: Rowman & Littlefield Publishers.

² Taylor, Mark Z. 2012. "An Economic Ranking of the US Presidents, 1789-2009: A Data-Based Approach" *PS: Politics & Political Science* 45(4):596-604.

secondary resource materials, as well as statistical analysis of quantitative data from sixteen presidential administrations.³ The results suggest a pattern: *economically successful presidents tend to demonstrate strong vision, action, alliance-building, and trust-building. The failures tend to perform poorly on these same four dimensions. Also, these four components overlap and interact, but the primus inter pares appears to be trust-building. That is, vision, action, and alliance-building matter most when they contribute to, or are the products of, trust-building. When they erode trust, then economic decline often looms.* These findings appear to hold true regardless of time period, initial economic conditions, political party, or the configuration of Congress. Finally, this research is *not* intended as a normative argument about what policies executives should or should not pursue, nor does it remove individual presidents from their historical context and judge them by 21st century standards. Rather it is meant to show that *similar* types of leadership behavior have produced *similar* results, regardless of time period, personal characteristics, political conditions, or economic situation.

These four concepts (vision, action, alliance-building, trust-building) require brief explanations in order to proceed. First, economically successful presidents tend to possess a clear *vision* or destination in mind for the country, with some rules-of-thumb against which they judge all policy decisions. They do not have to possess a highly specified philosophy or policy agenda, but they do have to have a clear destination for where they would like to take the country (e.g. Kennedy’s “New Frontier”, FDR’s experimentation with national planning, Reagan’s moderate libertarianism). This vision should also be flexible, in that successful presidents experiment with policies and institutions, and are willing to ditch failures, try new ideas, and stick with unconventional successes. Of course, flexibility can go too far. To be successful, flexibility must fit credibly within the framework of the president’s vision. Failed presidents either have no clear vision or adhere inflexibly to a particular theory or policy regardless of its consequences. Second, economically successful presidents believe that the Federal government, and the executive himself, have an *active* role to play to improving the economy, be it through the creation of new policies and institutions or the elimination of defunct or inefficient ones. Failed

³ The broader research project examines, in-depth, the six most economically successful presidential administrations (Hayes, McKinley, Harding, FDR, Kennedy, Clinton) and compares them with four relative failures (Arthur, Hoover, Carter, W. Bush), as well as six “natural experiments” in which either a two-term president suffered a major reversal of economic performance (T. Roosevelt, Wilson, Truman, Reagan) or a two-term president bracketed a one-term president facing similar economic conditions (Cleveland-Harrison). Presidents who served prior to the end of Reconstruction were not included in this in-depth investigation because they presided over a decidedly pre-modern economy; however, a *prima-facie* review of the evidence suggests that the same results likely apply to the first eighteen presidents. Obama was not included in the comparison due to lack of adequate or reliable data at the time of writing.

presidents sit back passively waiting for problems to resolve themselves or trusting that the power of free markets will throw some economic prosperity their way.⁴ Even free-market oriented executives recognize that the government, and the presidency, must take action to ensure that markets work properly. Third, economically successful presidents forge strong *alliances* with major actors across the American political-economic system, especially with Congress, the media, major interest groups, and even the general public. This might be done through shared ideas and interests, flattery, deal-making, and logrolling. Even threats and coercion can work *if* executed in support of a clear, limited purpose, and perhaps sweetened with consolation prizes. Failed presidents are divisive leaders. They seek open combat, aimless confrontation, or act with dismissiveness, insult, disdain, or a lack of compassion. Also, advisors and appointees are valuable allies to the executive in that they can often mitigate or create disasters, or be important sources of policy innovation. Finally, *trust-building* is perhaps the most important of the four determinants of presidential economic success or failure. Economically successful presidents all build trust in major American political-economic institutions, including their own office. Failed presidents all increase uncertainty or explicitly damage trust: in themselves, in government, in markets, in either American democracy or capitalism.

The remainder of this paper focuses on the case of Warren Harding's economic performance. The Harding administration (1921-1923) began amidst the calamitous Depression of 1920-1921. It was the second significant economic downturn since the end of World War I, but far larger and more damaging. In modern US history, it ranks second only to the Great Depression (1929-1942) in total destructive power. It also followed a year of nationwide strikes, race riots, and terrorist attacks that spooked the country. Meanwhile, Americans strained under historically unprecedented taxes, spending, deficits, and debts. The economy was in utter disarray. Yet, within months of Harding's inauguration, this downward spiral had been reversed, and by the time he died in late summer 1923, the depression and debts were swiftly fading from memory; the "roaring twenties" would soon be under way.

What role, if any, did Harding play in this rapid recovery? Mocked in his own time by critics as "a numbskull" and "a downright moron", the evidence instead suggests that Harding "told the country precisely

⁴ Paraphrasing Breznitz, Dan. 2007. *Innovation and the State: Political Choice and Strategies for Growth in Israel, Taiwan, and Ireland*. New Haven, CT: Yale University Press: 6.

what it wanted to hear” in order to win elections and to help usher in a decade of unprecedented economic prosperity.⁵ A conservative who rarely took inflexible stands, Harding guided Americans back to the calm of “normal things, normal thinking, and normal legislation” after the upheavals of World War I and the Wilson administration.⁶ In fact, Harding saw Wilson as an incompetent autocrat, and himself as the antidote to years of wayward policy experimentation. Harding’s goal was to reunify and calm a frazzled country, and to restore public confidence in its political-economic institutions. Taking the approach of a gregarious “master of ceremonies”, Harding sought to facilitate, shepherd, and even act as a neutral arbitrator, rather than lead at the forefront “like an armed gladiator.”⁷ Harding’s particular leadership style and policy agenda may not be the optimum strategy for all presidents in all times, but they were highly effective at repairing the rifts between Americans which vexed the nation in his era.

II. The Rise of Harding and The Nation’s Descent into Discord

Warren Gamaliel Harding was born during 1865 in a small farming village in north central Ohio. His father was a homeopathic doctor, farmer, and business speculator who had served in the Union Army during the Civil War. His mother, who also studied medicine, became a midwife. Both parents were committed to their close-knit family of nine children, and Warren was devoted to them all throughout his life. His parents were also middle-class social climbers who constantly sought to increase their incomes and social status, even moving towns in order to do so.⁸ At school, Warren was an earnest but indifferent student, while at home, he labored untiringly on the family farm, readily helping neighbors or community projects as well. “He worked hard every day, in fact too hard for one so young” recalled his sister.⁹ He learned to read and write early, attended the local one-room schoolhouse, and discovered public speaking, often entering into student oratory contests. At age fourteen, Warren enrolled in Ohio Central College, which he later described as “more like an academy or normal [high] school” than a university.¹⁰ His favorite subjects there were literature, debate, history, and

⁵ Menken, Henry Louis. 1920. The Last Round. (Oct 4); Menken, H.L. 1920, *Baltimore Evening Sun*. (July 26); Murray, Robert K. 1973. *The Politics of Normalcy: Government Theory and Practice in the Harding-Coolidge Era*. New York: W.W. Norton and Company: 15.

⁶ Reily, E. Mont. 1919. My Fellow Republicans. Quoted in Murray, Robert K. 1969. *The Harding Era: Warren G. Harding and His Administration*. Newtown, CT: American Political Biography Press: 32.

⁷ Harding, Warren G. xx Quoted in Ferrell, Robert H. 1996. *The Strange Deaths of President Warren Harding*. Columbia, MO: University of Missouri Press.

⁸ Downes, Randolph C. 1970. *The Rise of Warren Gamaliel Harding, 1865-1920*. Ohio State University Press.

⁹ Remberg, Charity Malvina. 1920. “Eye Witness” *Chicago Tribune* (Aug 19): 5. Quoted in Downes, 1970: 7.

¹⁰ Harding, Warren G. 1894. *Marion Star* (October). Quoted in Downes, 1970: 9.

philosophy, the latter of which likely included some basic 19th century economics; in math and science he held only superficial interest. Though not especially studious, he excelled at school; his teachers and friends described him as “just naturally smart...I never saw him working”.¹¹ He worked far harder outside of classes, earning his way as a house painter and doing railroad construction. As a teenager, Harding was also already becoming a flirt and womanizer, and a very popular one. His romantic adventures would continue throughout his life and became notorious after his death.

During his final year in college, the Harding family moved to Marion, Ohio, a small but ambitious manufacturing “city” of four thousand people, which boasted a new junction for three major rail lines. Aspiring to become the family breadwinner, Warren stayed close. He rejoined his parents soon after his graduation in 1882 and lived with them into his mid twenties. Warren also energetically embraced Marion and sought to be “at the forefront of [its] advance”.¹² At first, he taught grade school, but quickly tired of the job. He next sold casualty insurance and considered going into law, but he found both careers too inauspicious and too poorly paid. Perhaps his only pride then was to organize a popular brass band for the town, which made him something of a local celebrity when they competed statewide.¹³

But Warren Harding’s true calling was newspaper publishing.¹⁴ Even after becoming president, he carried a small metal printer’s rule in his pocket. Journalism allowed him to be at the center of the action, and better yet, to influence it. It also gave him an excuse to enter into the public debates, to produce the essays and speeches, that energized him. When Warren was a boy, his father had acquired partial ownership of a local newspaper, the *Caledonia Argus*. Warren worked there from age eleven onwards, where he learned to set type, work the presses, and write copy. As a teenager, he and a roommate had launched a college newspaper, the *Iberia Spectator*, which covered the whole town. Now a college graduate, but with no attractive career prospects, Warren returned to his passion. In summer 1884, with support from his father and three friends, he purchased the seven year-old *Marion Star* at auction. The paper came with a railroad pass which Harding immediately used to attend the Republican National Convention in Chicago. It was a thrilling experience.

¹¹ Warwick, Jack. *Growing Up With Warren Harding*. Quoted in Downes, 1970: 8

¹² Downes, 1970: 16.

¹³ Downes, 1970: 14-15.

¹⁴ Hall, Sheryl S. 2014. *Warren G. Harding and the Marion Star: How Newspapering Shaped a President*. Charleston, SC: History Press.

Harding became intoxicated by Republican candidate James Blaine, and rushed home to “put the whole weight of the *Star*” behind his presidential campaign.¹⁵

His friends soon abandoned the newspaper, leaving Harding its sole owner. At first, he was also often the *Star*'s sole employee: editor, publisher, typesetter, salesman, and reporter. Luckily, most Gilded Age newspapers eagerly exchanged content, thereby providing Harding with ample international, national, and regional stories to print. His main tasks as a journalist were therefore to dig up local news and to write riveting editorials. Harding proved a talented, hard-working publisher who stayed abreast of new business strategies and fought lively editorial battles with rival papers. Harding also built up the paper by “booming” Marion. He enthusiastically reported his city’s business and economic developments, occasionally taunting its urban rivals. He encouraged his readers to “buy local” and supported Marion politicians for higher office. “If a Marion man wanted a State office or a Congressional nomination,” recalled one the *Star*'s co-founders, “be he Republican or Democrat, his cause was the *Star*'s cause against all comers.”¹⁶ As a result, the financially successful Harding also became the city’s leading voice for modernization. “His civic influence was that of an activist who used his editorial page to effectively keep his nose in all the town’s public business.”¹⁷ Rival newspapers called him “smart...most too smart”.¹⁸

Harding soon found himself invited to events of all kinds throughout Ohio, which was then composed of an ever-shifting kaleidoscope of party factions at the frontier of American politics. The *Star* grew successful on this foment and empowered Harding. He authored thousands of editorials, usually clever, serious, and thought-provoking. Beginning in the 1890s, Harding also became a regular on the lecture circuit throughout Ohio and upper New York, where he held forth on subjects of all sorts and quickly honed himself into a skilled orator.¹⁹ “Your fame as a public speaker is abroad in this land and you are never disappointing” a competing publisher admitted to him.²⁰ Somewhat shy in person, Harding also cultivated a professional habit of extreme humility and self-effacement that he practiced his entire life. He found that he got ahead better by drawing attention to others’

¹⁵ Dean, John W. 2004. *Warren G. Harding*. New York: Times Books: 12.

¹⁶ Warwick, Jack. 1938. *Growing up with Warren Harding*. Quoted in Hall, 2014: 48

¹⁷ Dean, 2004: 14

¹⁸ Hall, 2014: 53

¹⁹ Cottrill, Dale E. 1967. *The Public Speaking of Warren Gamaliel Harding*. PhD Dissertation (Public Speaking and Communication). Wayne State University.

²⁰ R.B. Brown of the *Zanesville Courier*. Quoted in Hall, 2014: 89

achievements, while downplaying his own. As a result, he became known as a genuinely “decent” and “human” newspaperman, who sacrificed personally for his paper, town, and political party.²¹

Yet Harding also sought political office for himself. Together with friends, in 1890 he founded a Young Men’s Republican club in Marion, which worried some of the older partisans in town. However, rather than demagogue the issues or self-aggrandize, Harding saw politics as a means to unite his community. “He had the unusual gift of getting people together and inducing them to patch up differences.” observed one journalist.²² As a result, by 1895, he had become a rising Republican party leader, and was invited to run for county auditor. The following year, the Republican Party asked him to campaign throughout Ohio in support of William McKinley, whom Harding deeply admired, especially for his nationalist platform. And by 1900, Harding had been elected to the Ohio state senate. Good natured, hard-working, but unconceited, he was instantly popular in the Ohio legislature. He did not sponsor any major legislation himself, but instead helped to advance others’ bills. Hence, within the Republican party, he became known as a “friend of all factions”. Always prepared to work hard for the state and his party, Harding was routinely given higher responsibilities. He eventually served as floor leader, where he was eager to negotiate with Democrats; learning to weave his way through contentious issues, often pulling off difficult compromises that appeased both parties. Harding’s oratorical skills also continued to astound. His speeches in the Assembly were lauded as “the most beautiful combinations of word painting and effective oratory that was ever heard from the rostrum.”²³ On the campaign trail, state newspapers called him “one of the best stumpers in the state”.²⁴ In 1903, the increasingly popular Harding won election as Ohio’s lieutenant governor; but, after a single term, he withdrew from politics to care for his ill wife and returned to his newspapers back in Marion.

By the early 1910s, the Republican party, both in Ohio and nationwide, had fractured bitterly between conservatives and progressives. As a unifier and a loyal Republican, Harding lamented his party’s ruinous infighting, and his newspaper thundered against the Progressive rebels, led by Theodore Roosevelt, who split the party in 1912. Harding believed that Roosevelt’s third party run was done out of “egotism and greed for power”,

²¹ Hall, 2014.

²² MacAdam, George. 1920. *World’s Work*. (September). Quoted in Alderfer, Harold F. 1928. *The Personality and Politics of Warren G. Harding*. Ph.D. disstn., Syracuse University: 135.

²³ "Foraker!" 1899. *Bellafontaine Republican* (Oct 17): 2.

²⁴ *Ohio State Journal* June 6, 1903. Quoted in Downes, 1970: 139

rather than differences over policy.²⁵ In an unusual personal attack, he openly blasted Roosevelt as a “limelighter” and “dictator” who was “drunk with ambition”.²⁶ Harding was also furious with “Bull Moosers” for their uncivilized insults of President Howard Taft (1909-1913), whom Harding considered judicial and statesmanlike. In the 1912 presidential primaries, Taft requested Harding’s help in his re-election campaign, asking Harding to place Taft’s name in nomination at the party’s national convention. When the Republicans were swept away by electoral losses, Harding despaired over a Wilson presidency and Democratic control of Congress. He warned his readers that the Wilson administration’s liberal economic policies would cause ruination. “[W]e are going to have a depression....there will come a paralysis of many industries”.²⁷

In spring 1914, an opening appeared for Harding to reenter politics when a sitting Ohio senator unexpectedly retired. Harding resisted at first, wanting nothing more to do with Republican party infighting, but he was soon drafted, in part through appeals to party loyalty and with the encouragement of his wife. However, rather than make war upon rival Republicans, Harding instead tried to win allies across the competing party factions, while casting Democrats as public enemies. “He put on a [primary] campaign of such sweetness and light as would have won the plaudits of the angels. It was calculated to offend nobody but Democrats”.²⁸ After he won the primaries, Harding campaigned with ambiguous patriotic speeches designed to appeal to all listeners. They were “a rambling, high-sounding mixture of platitudes, patriotism, and pure nonsense” which Harding called “blowiating”, an old Ohio slang term; but it was an effective means of uniting disastrously factionalized Republicans behind him, while offending as few as possible.²⁹ “Prosper America First” became his slogan, an implicit censure of Wilsonian internationalism. Harding won the election, and many observers thought he would soon be president, but he harbored no such plans at the time.

Once in Congress, the gregarious Harding continued to act as a unifier. He minded his place within the hierarchical Senate tenure system, and learned the ways of the Senate and its power structure. His home in Washington D.C. became a social hub where Harding used cocktail parties, dinners, and poker games to try to repair the breach between Republican Party factions. As a result, he quickly became popular amongst

²⁵ Harding, Warren G. Quoted in Downes, 1970:176

²⁶ *Marion Star* excerpted 1911-1912. Quoted in Dean, 2004: 29; Downes, 1970: 176.

²⁷ *Marion Star* during April/May 1913. Quoted in Downes, 1970: 193

²⁸ Downes, 1970: 201

²⁹ Garraty, John A. 1953. *Henry Cabot Lodge*. New York: Alfred A. Knopf: 395.

Congressional Republicans and was asked to serve as keynote speaker at the party's 1916 National Convention. Harding's job there was to set a genial mood that would facilitate a reunion of the conservative and progressive wings of the divided party. In his remarks, Harding supported American neutrality in World War I, but criticized the country's lack of military preparedness. He then clobbered Democrats for lowering protective tariffs and creating the direct income tax. "[F]ailure is written across every paragraph of Democratic revision and fear is haunting the White House slumbers" he bellowed.³⁰ The speech was a crowd-pleaser. Harding was now considered one of the Republican "big guns" of the party's national speaker circuit.

Legislatively however, Harding's Senate career was undistinguished. He was given minor committee assignments (e.g. Commerce, Claims, Coastal Defense) and introduced few bills that concerned national matters.³¹ Senator Harding was also truant for almost half his roll call votes, though usually away on campaign duties with the consent of the GOP leadership. And when he did appear in Congress, he mostly voted along Republican party lines, not ideological ones.³² Harding even figured out how to straddle both sides of controversial issues, such as Wilson's war measures, women's suffrage, and Prohibition. Perhaps Harding's most noteworthy act while Senator was to confront President Wilson when invited to the White House as part of the Senate Foreign Relations Committee. There, Harding challenged Wilson's idealism about how the League of Nations would function. Wilson responded sharply, believing Harding to be simple-minded and his questions vacuous.

Meanwhile turmoil and discord swept across the United States. The country's participation in World War I, and occupation duties thereafter, constituted an unprecedented "foreign entanglement" in Europe. It violated one hundred thirty years of US foreign policy practice and the core tenets of the founding fathers. In the name of national security, Wilson had also curtailed freedoms of speech, the press, and assembly. And along with the war had come an unparalleled expansion of the Federal government into the private economy, including

³⁰ Harding, Warren G. 1916. Address of the Temporary Chairman of the Republican Party to the Republican National Convention. (June 7).

³¹ As Senator, Harding introduced 134 bills, over 90 percent of which dealt solely with local matters in Ohio, such as securing back pensions for veterans. As for his twelve national bills, "they were of little significance, encouraging the teaching of Spanish, celebrating the pilgrims' landing, lending surplus government tents to the public to alleviate the housing shortage of 1920, investigating influenza, changing the McKinley Memorial Association Act, and giving obsolete rifles to the Sons of Veterans Reserves." Trani, Eugene P. and David L. Wilson. 1977. *The Presidency of Warren G. Harding*. Lawrence, KS: University Press of Kansas: 35.

³² Trani and Wilson, 1977: 35.

the nationalization of major transportation, communications, and even some manufacturing industries. Massive social and economic dislocations had resulted, including record inflation, shortages of food and basic goods, and ever higher taxes. After the war, these disruptions were followed by waves of labor strikes, domestic terrorism, and ultimately, a shattering recession. “The world was never in such a state of disorganization and demoralization” admitted a senior Wilson ally.³³

All this occurred under the tenure of an absent president, Woodrow Wilson. During his second term, the Wilson administration clashed with Congress in open conflict over war measures and foreign affairs, allowing domestic legislation to languish. On the Senate floor, Harding accused the president of behaving like an incompetent idealist and insisted that the spread of Bolshevism “owes a very large part...to the policies and utterances of [Wilson].”³⁴ To many Americans, Wilson’s war and post-war efforts seemed to transfer wealth and power away from ordinary Americans and instead towards aiding distant Europeans. For example, long after the armistice, tens of thousands of American troops still remained in Europe.³⁵ America was getting more and more entangled, not less. Worse yet, since autumn 1919, Wilson had lay secluded in the White House, alternately incapacitated by illness or obsessed with his League of Nations scheme. Woodrow Wilson’s loyal secret service chief later recalled that “the country was in a mess”.³⁶ Americans yearned for simpler days and the old kind of president; someone just like Harding.

Prior to 1919, Harding had only distantly considered running for President.³⁷ And his mid-December decision to campaign was motivated more by a need to defend his Senate seat against rival factions in Ohio, than by an earnest desire to lead the country. However, Harding quickly warmed to the idea of becoming president. In early 1920, he proclaimed to friends “[I have] decided to take the bull by the horns”.³⁸ Harding then threw himself into a campaign expertly managed by his political ally, Henry Daugherty, together with marketing gurus

³³ Baker, Ray Stannard. 1919. Personal notebook. (October 1). Quoted in Noggle, Burl. 1974. *Into the Twenties: The United States From armistice to Normalcy*. Urbana, IL: University of Illinois Press. 188.

³⁴ Harding, Warren G. 1919. Speech to the Senate. January 21.

³⁵ *American Military History*. 1988. Washington DC: Center for Military History.

³⁶ Starling, Edmund W. 1946. *Starling of the White House*. New York: 174.

³⁷ Some have argued that Harding spent his first four years in the Senate quietly positioning himself for a 1920 run for the Presidency. Certainly Hughes’ defeat in 1916 prompted newspapers, politicians, and friends to talk of a Harding candidacy. But it is not clear that Harding himself seriously considered the project.

³⁸ Warren G. Harding. 1920. Letter to Malcolm Jennings (January 20). Quoted in Murray, 1969: 29.

Albert Lasker and William Wrigley Jr.³⁹ At least nine other candidates, many of them well-funded and better known, aspired to the Republican nomination.⁴⁰ Harding's plan was to stay inoffensively behind the pack leaders while they either destroyed one another or deadlocked. Meanwhile, he and Daugherty contacted every Republican delegate they could find and recruited their support for Harding as a *second* or *third* choice if their first choices were stalemated.⁴¹ As predicted, the Republican convention became deadlocked soon after it convened in Chicago in mid-June.⁴² After a night of futile meetings, the lead candidates began to release their delegates, most of whom had been courted for months by Harding and Daugherty. When the convention reconvened, Harding won within a few ballots, supported by over 70 percent of the delegates. It was not only a victory for Harding, but also a long sought-after unifying moment for Republicans, heralding the demise of the Progressive movement which had severed the party since the early 1900s.⁴³

Harding proceeded to run a near perfect campaign against Ohio governor James Cox, who had selected for his running-mate Franklin Delano Roosevelt, then Assistant Secretary of the Navy.⁴⁴ The Democrats chose to frame the 1920 campaign partly as a referendum on the League of Nations. But the public was no longer interested. The war was long over and the country was now sliding into the Depression of 1920-1921. Meanwhile, Harding's campaign managers launched innovations that would become standard practice, using billboards, early radio broadcasts, newsreels, and sound recordings, together with a flood of photographs and

³⁹ Bagby, Wesley M. 1968. *The Road to Normalcy: The Presidential Campaign and Election of 1920*. Baltimore, MD: Johns Hopkins Press; Morello, John A. 2001. *Selling the President, 1920: Albert D. Lasker, Advertising, and the Election of Warren G. Harding*. Westport, CT: Praeger.

⁴⁰ Adams, Samuel H. 1939. *Incredible Era: The Life and Times of Warren Gamaliel Harding*. Boston: Houghton Mifflin; Pietrusza, David. 2007. *1920: The Year of the Six Presidents*. New York: Carroll & Graf Publishers.

⁴¹ In 1920, presidential primaries were held in only 16 states; they were generally not binding upon delegates and viewed more as political spectacles than serious campaign events. Congressional Quarterly Books. 1997. *Selecting The President: From 1789 to 1996*. Washington, D.C.: Congressional Quarterly.

⁴² The stories about the nomination being made by Republican party bosses in a smoke-filled hotel room on the night of June 11, 1920 are more myth than fact. One historian of the election reports "There was a Friday-night political conference held in a Blackstone suite rented by the Republican National Committee...But no orders ever went to convention delegates as a result of it, nor did it signal the implementation of a senatorial plan to nominate Harding." Murray, 1973: 8. This conclusion has since been supported by Trani and Wilson (1977), Dean (2004), and Pietrusza (2007) who all find that the men who met in the infamous hotel room made no formal decision, nor had they the power to enforce a decision had one been made; also, neither Harding nor his campaign manager visited the suite; and the meeting was not a formal negotiation, but rather "a freewheeling bull session" during which participants wandered in and out spontaneously (Dean, 2004: 63). In fact, the consensus view is that Harding was nominated precisely because Republican political bosses did *not* have control over the nomination process. For the counterargument, see McCartney, Laton. 2008. *The Teapot Dome Scandal: How Big Oil Bought the Harding White House and Tried to Steal the Country*. New York: Random House.

⁴³ Seethaler, Richard M., Sr. 1975. *Warren Harding and the Republican Nomination of 1920*. PhD Dissertation. Southern Connecticut State University

⁴⁴ Woodrow Wilson wanted the party's nomination for himself to run for a third term. His plan was also to allow the convention to deadlock, then be nominated by his supporters as a rescue candidate. But Democratic party leaders talked Wilson's supporters out of this unlikely strategy. Wilson was too unpopular and of questionable health. Pietrusza, David. 2007.

print media to sell Harding to voters. In them, they portrayed Harding as a “hardworking small town American who preferred Main Street to Pennsylvania Avenue.”⁴⁵ His folksy humility, which was part calculation and part genuine, became integral to this political strategy. “[I]t is a part of a methodical plan” wrote Daugherty.⁴⁶ Many Americans now sought an alternative to the domineering personalities of men like Theodore Roosevelt and Woodrow Wilson. Harding’s goal was to cast himself as a modern-day McKinley: modest, amicable, approachable, conservative but unifying.

So, rather than take strong stands on divisive topics, Harding continued to “bloviate” with his vague, patriotic homilies. Democrats and elites therefore saw Harding as not intellectually serious. Opponents ridiculed his “big, bow-wow style of oratory...[that] would use rolling words which had no application to the topic in hand”.⁴⁷ Wilson supposedly referred to him as a “nothing.”⁴⁸ The poet e.e. cummings joked that Harding was “the only man, woman or child who wrote a simple declarative sentence with seven grammatical errors.”⁴⁹ But his simple rhetoric was intended as familiar vernacular for average Americans who had suffered from years of Professor Woodrow Wilson’s scholarly verbiage.⁵⁰ At point, Harding even admitted to reporters that “I could make better speeches than these, but I have to be careful.”⁵¹ Yet, his campaign manager assured him “I am very comfortable in regard to your speeches. If I was not I would be crazy.”⁵²

Harding did offer substantive ideas during his campaign. He blamed inflation, strikes, and the looming recession on “the withering hand of government operation...[and] government ownership”.⁵³ He therefore promised to strip government to its fundamentals, telling voters that “[g]overnment after all is a simple thing.”⁵⁴ In a swipe at Wilson’s imperiousness, he declared that the restoration of the Constitution was his “transcending

⁴⁵ Morello, 2001: 50

⁴⁶ Daugherty, Harry. 1920. Letter to Frank Scobey. (January 22). Quoted in Downes, 1970: 355.

⁴⁷ McAdoo, William G. 1931. *Crowded Years: The Reminiscences of William G. McAdoo*. Boston: Houghton Mifflin Company: 388.

⁴⁸ Cooper, John Milton Jr. 2009. *Woodrow Wilson: A Biography*. New York: Alfred A. Knopf: 570.

⁴⁹ Miller, Nathan. 2003. *New World Coming: The 1920s and the Making of Modern America*. New York: Scribner.

⁵⁰ One journalist described Harding’s speech style as “keynoting”: “The President can ‘keynote.’ I have heard him. ‘Keynoting’ implies the ability to make melodic noises and give the impression of passionately and torrentially moving onward and upward while warily standing still.” Edward G. Lowry. 1921. *Washington Close-Ups: Intimate Views Some Public Figures*. 12.

⁵¹ Quoted in Gil, Troy. 1991. *See How They Run: The Changing Role of the Presidential Candidate*. (New York: Free Press):141; See also Wilson, John F. 1962. Harding’s Rhetoric of Normalcy, 1920–1923. *Quarterly Journal of Speech* 48(4):406-411.

⁵² Daugherty, Harry. 1919. Letter to Warren G. Harding. (Dec 19). Quoted in Downes, 1970: 358-359;

⁵³ Harding explicitly linked inflation with government spending, and insisted that the only way to lower the former was to reduce the latter. Once in office, he recognized that deflation had hit some sectors, but held that it had mainly affected producer prices rather than being passed through to benefit consumers. Therefore he asked Congress to investigate. See Harding, Warren G. 1921. Address to a Joint Session of Congress on Urgent National Problems (April 12).

⁵⁴ Harding, Warren G. 1920. (May 27).

task” and promised to reverse “the surrender of Congress to the growing assumption of the executive” and to end Wilson’s autocracy which had “imperiled all the [democratic] practices we had learned to believe in”. In particular, the Senate would resume its proper role in foreign affairs. He also vowed to bring back “party government as distinguished from personal government, individual, dictatorial, autocratic or what not.”⁵⁵ Furthermore, he promised to appoint a “Cabinet of the highest capacity”, include his Vice President in cabinet meetings, rely on them for advice, and delegate to them management of their own departments. With the country still technically at war, Harding also vowed to sign a “formal and effective peace so quickly [that]...we may turn to our readjustment at home.” He pledged American leadership in arms reductions, the restoration of free market competition at home, protective tariffs, and a watchful eye against the spread of communism. To the farmers suffering the beginning of a decade-long depression, he hinted that anti-trust allowances might be made for them to form cooperatives. He also promised a new national budget process, more businesslike operation of government, higher standards for immigration and assimilation of immigrants, tax reduction, and a federal anti-lynching law.

Harding proceeded to win the presidency by the largest margin in a century, with over 60 percent of the popular vote and 76 percent of the electoral college. He also helped to increase the Republican majorities within the House to 70 percent, and within the Senate to 61 percent. Pundits disagreed as to whether the elections signaled a repudiation of, or support for, the League. But everyone acknowledged that it was an unequivocal vote for change, for normalcy. Americans were tired of being both laboratory and battleground for contending social theories of one sort or another. They embraced Harding’s promised to return America to the halcyon days of the 1890s, before all the labor turmoil, foreign wars, and liberal internationalism.

III. Harding’s Vision of “Normalcy”

Thousands of pages of editorials, speeches, and letters written by Harding over forty years provide us with a fairly clear account of his vision for the country. First and foremost, Harding believed that “service is the supreme commitment of life.”⁵⁶ In particular, Harding held a tribal view of service: you joined a community, worked hard and sacrificed to meld it into a team, and then fought to raise your team up over its rivals. As a boy,

⁵⁵ Harding, Warren G. 1920. Address Accepting the Republican Presidential Nomination (June 20).

⁵⁶ Harding, Warren G. 1921. Inaugural address. (March 4).

that team was Harding's family. When he became a publisher, it was his newspaper and his city. As an Ohio Republican, it was his party and his state. As President, Harding saw the whole country as his community. Before leaving for the White House, he told a crowd gathered in front of his home "I have a theory of government that if you do for the nation what you do for the community you do exceedingly well, because the nation is only the aggregate of communities."⁵⁷

To Harding, service to the community also demanded conspicuous self-sacrifice, whether it be in terms of money, power, or personal reputation. As an increasingly wealthy Marion businessman, Harding had generously loaned or gave his own money to family, friends, and employees in need, *provided* that they had proven themselves reliable members of the community. As a politician, he diligently subordinated his own political ambitions in order to campaign for fellow party members. As a person, Harding was always willing to give credit to others and constantly played down his own accomplishments, even to his own detriment. And the problem with America, Harding believed, was that liberal internationalism and Progressive domestic policies had destroyed that sense of national community and self-sacrifice within the United States which had flourished during the Gilded Age. In his opinion, Progressive idealists and greedy special interests had warped American government and wartime policy for selfish ends. And the Democratic Party and the Wilson administration had, through malice or incompetence, allowed this to happen. "All his life Harding had believed that Democrats were bunglers, depression creators, demagogues, place-hunters, and generally incapable of living up to the responsibilities of power..." his biographer observed, "They were divided in purpose, politically small-minded, and without military know-how in their leadership."⁵⁸

In order to set things right, Harding believed that the United States must "return to normalcy". Although this may sound like a comical gaffe to modern ears, it came across as welcome straight-talk to many early 1920s Americans.⁵⁹ "It was just what the people wanted to do after all the emotional and other strains of the war," remembered Herbert Hoover, "It was a sort of 'leave-me-alone' feeling after a fever."⁶⁰ To them, it meant a

⁵⁷ Harding, Warren G. 1921. *Marion Star* (March 2). Quoted in Hall, 2014: 109.

⁵⁸ Downes, 1970: 265-266

⁵⁹ The catchphrase was originally "Harding and Back to Normal", coined by E. Mont Reily, an early Harding supporter. Reily was a Midwest newspaper man and Republican activist. His motto first appeared in a circular written by Reily to Republican party regulars on January 20, 1919 in which the idea of a Harding presidency was first seriously proposed. Murray 1969: 22

⁶⁰ Hoover, Herbert. 1952. *The Memoirs of Herbert Hoover: The Cabinet and the Presidency, 1920-1933*. New York: The MacMillan Company: 35

rejection of Woodrow Wilson's "autocracy", Theodore Roosevelt's demagoguery, and an about face from helter-skelter experimentation with theories of progressivism, internationalism, and socialism. It meant far less government interference in the economy, and for the government to be run more like an efficient business. Harding himself explained it this way: "By 'normalcy' I don't mean the old order, but a regular steady order of things. I mean normal procedure, the natural way, without excess."⁶¹ It meant a return to the course initially set for the nation by Republicans during the late-1890s, and which had ushered in an era of unparalleled American prosperity and domestic peace.

Normalcy was especially alluring by the time of Harding's presidential campaign. During the previous two years (1918-1920), the country had been plunged into a deep recession, suffered plummeting wages and farm prices, and ridden wild stock market volatility. Domestic crises seemed to mount ever higher. In 1919 alone, over 4 million workers took part in 3600 labor strikes nationwide for better wages, shorter working hours, and collective bargaining rights.⁶² That spring, anarchists sent thirty-six mail bombs throughout the country to important politicians, government officials, judges, and businessmen. The following month, more bombings struck in eight cities, including at the home of Cleveland's mayor and the Attorney General's house in Washington DC. "We will kill... We will destroy..." proclaimed the anarchists.⁶³ In what seemed a suspicious coincidence, that summer, in a shocking show of defiance, angry blacks rose up against lynching and mob violence, provoking twenty-five riots in cities across the country. "The Negroes, before the great war, were well-behaved," fretted the *New York Times*.⁶⁴ Beneath it all, the swift and unexpected fall of Russia to communism sent a chill throughout the West warning that their governments might soon be next. As evidence, America's newspapers estimated that millions of Reds and communist sympathizers within the US were secretly plotting mass revolution.⁶⁵ "No one... will forget the feverish condition of the public mind at that time," wrote one journalist, "It was hag-ridden by the specter of Bolshevism".⁶⁶ Conservatives reacted by launching terror

⁶¹ *New York Times* 1920 (July 21): 7. Quoted in Murray, 1973: 15.

⁶² Murray, Robert K. 1955. *Red Scare: A Study of National Hysteria, 1919 – 1920*. New York: McGraw-Hill book company: 11

⁶³ "Plain Words". 1919. Leaflet quoted in Murray, 1955: 79

⁶⁴ Quoted in Feuerlicht, Roberta Strauss. 1971. *America's Reign of Terror: World War I, The Red Scare, and the Palmer Raids*. New York: Random House. 78

⁶⁵ Feuerlicht, 1971.

⁶⁶ Gardiner, Alfred G. 1926. *Portraits and Portents*. New York: Harper and Brothers: 13

campaigns against immigrants, labor unions, and socialists.⁶⁷ Attorney General A. Mitchell Palmer spurred them on with illegal arrests and police violence of his own. The country, it seemed, was descending into chaos. As one historian of the period has written, by 1920, "...what the average American really longed for was an existence wherein nothing of importance would appear on the front page of his newspaper and it would only be necessary to glance briefly at the headlines before plunging into the sports section".⁶⁸ Harding's "normalcy" promised exactly that.

Normalcy also meant "America First", which became a Harding campaign slogan in 1914, and then evolved into "Americanism" during his 1920 campaign when it was adopted as Republican party mantra. Although novel to the country, it had been a deeply held belief of Harding's since his youth. During his political campaigns, "Americanism" was made intentionally vague so as to attract the most supporters; but to Harding it was composed of identifiable planks. For example, Harding was an unabashed booster for industrialization and modernization as the best means by which to gain national competitive advantage. Throughout his life, he idolized industrialists, inventors, and businessmen as the nation's true pioneers.⁶⁹ He called them "wizards of the world of iron and steel", arguing that "the glory of the furnaces made a beacon of American national good fortune."⁷⁰ They had made America wealthy and strong during the Gilded Age and must continue to do so.⁷¹

Trade protectionism was an essential part of the "America First" agenda. To Harding, trade was a zero-sum game, therefore buying American was an obvious way of supporting one's country. As both publisher and politician, Harding constantly urged Americans "never to forget when you buy a foreign article, your country is the poorer."⁷² High tariffs not only fostered economic development at home, but also defended against unemployment and recession. For example, Harding believed that low tariffs had caused the Depression of 1893

⁶⁷ During the war, private volunteer groups, such as the American Protective League, the American Defense Society, and the National Security League, constituted a nationwide secret police force which took it upon themselves to spy on their neighbors and violate the civil liberties of innocent citizens; all in pursuit of a dangerous network of pro-German conspirators. Though no foreign spy networks were ever discovered, these same hyper-patriots now feared that a fifth-column of foreign radicals was working to destabilize the United States. Feuerlicht, 1971; Murray 1955.

⁶⁸ Murray, 1955: 4.

⁶⁹ For example, since boyhood, Harding's political heroes were the nationalist, proto-industrialists Alexander Hamilton and Napoleon Bonaparte. Hall, 2014; Downes, 1970.

⁷⁰ Harding, Warren G. 1916. Remarks to Congress (March 21). Quoted in Downes, 1970: 240

⁷¹ Even as a newspaper publisher, Harding had energetically supported the introduction of modern technologies, such as natural gas, arc-light, and street cars, into his city. He constantly lobbied for new rail lines and depots, new factory construction, and new public utilities. He even advocated for higher taxes and new bond issues to pay for paved roads and street improvements. Hall, 2014.

⁷² Quoted in Downes 1970: 226

and he was convinced that the low Underwood Tariff of 1913 would inevitably lead to economic collapse. “If goods are imported instead of made at home,” he had reasoned during the depression, “foreign manufacturers receive the pay, to pay it to foreign labor, to buy foreign agricultural products...”⁷³ And to ensure that US trade was not dependent upon foreign carriers, Harding also supported a well-subsidized, modern merchant marine force.

A believer in free market competition at home, Harding was not particularly enthusiastic about social welfare programs. “Indiscriminate charity of yesterday has brought forth a harvest of tramps today” he wrote during the Depression of 1893, “Indiscriminate giving to chance beggars is not charity, it is almost wanton wickedness.”⁷⁴ He even became concerned that the new federal income tax was “the socialistic drift of the day. One man has talent and industry, and saves and acquires; he must be penalized for these because the man who spends his all, or lacks talent and industry, demands the unnatural equalization.”⁷⁵ It was high protective tariffs that would save the unemployed, not handouts.

However, he did support labor unions, even welcoming them into his own newspaper business. “If the boys want a union here...” Harding once told an organizer, “I have no objection to [their] organizing and making ours a union office.”⁷⁶ Harding then joined the union himself and carried a union card the rest of his life.⁷⁷ Over time, he came to sympathize somewhat with labor’s demands, eventually throwing his political support behind an eight-hour workday. Even strikes were alright by Harding, provided that “there is no resort to lawless destruction of property.”⁷⁸ But he was wary of “closed shop” unions, which required membership for all workers. In other words, unions were fine, but they should be voluntary and respect the law. In fact, he came to believe that strikes and labor violence were the result of unions being taken over by “professional agitators” who denied honest men “the right to work”.⁷⁹ He suspected that many of these troublemakers were foreign radicals, who sought to infiltrate the American labor movement and use it to foment chaos.

⁷³ Harding, Warren G. 1894 (Feb 6). Quoted in Downes, 1970: 77

⁷⁴ Quoted in Downes, 1970: 48

⁷⁵ Quoted in Downes, 1970:194

⁷⁶ Quoted in Hall, 2014: 91.

⁷⁷ Quoted in Hall, 2014: 91.

⁷⁸ Harding, Warren G. 1897. (July 7). Quoted in Downes, 1970: 95

⁷⁹ Quoted in Downes, 1970: 82-84.

Therefore, Harding distrusted immigration, especially from countries where socialism was popular. In his newspaper, he regularly insulted foreigners as morally and culturally inferior. For example, he once wrote that “[a]bout one Italian in a thousand makes good...” urging his fellow citizens to work “toward packing every mother’s son of them and shipping them back where they came from.”⁸⁰ Even Canadians were “Canucks” to Harding. He saw most immigrants as the refuse of foreign nations. They brought poverty, crime, gangs, disorder, and disease. In a typical editorial, he complained that:

Foreign nations have piled in with their thrifty emigrants, their paupers, their outlaws, the offscourings of society and a disreputable mass that so contaminates the respectable element that foreign importation has become a perfect dump of Oriental garbage.⁸¹

Part of his distrust came from his belief that immigrants trafficked in anarchy and radical communism, beliefs he considered foreign to Americans and an insidious threat to property rights. These people were not interested in service, in peaceful democratic politics, but in violence and theft. “We like to receive foreigners who come to this country to become loyal and respectable citizens but America must not be made an asylum for foreign thieves and cutthroats.”⁸²

In foreign policy, Harding was unsurprisingly isolationist. “We should be independent of the world. We then would control our own market and make our own prices, dictating to the world instead of paying as it dictates” he argued in Congress.⁸³ And while he supported a strong American navy and a modern merchant marine, he also celebrated the fact that “[n]o enormous standing armies are kept to suck the life blood out of the purses of the tax payers, nor does the country go into hysterics over the trivial demonstrations against her.”⁸⁴ Nor was he a supporter of evangelical democracy. When the Spanish-American war erupted, Harding’s newspapers war-mongered as fiercely as the best of them, but he endorsed the “protection” and “annexation” of foreign islands, not their liberation or independence.⁸⁵ When World War I broke out, he initially cared little about who won; only that America should come out ahead when it was over. He welcomed wartime demand in Europe for American exports, but he feared that economic disaster would inevitably come when war was over

⁸⁰ Harding, Warren G. 1887. (August 8). Quoted in Downes, 1970:80.

⁸¹ Harding, Warren G. 1886. (May 27). Quoted in Downes, 1970: 87.

⁸² Harding, Warren G. *Marion Weekly Star* May 1, 1885. Quoted in Hall, 2014: 85.

⁸³ Harding, Warren G. 1915. *Star* (March 26). Quoted in Downes, 1970: 219.

⁸⁴ Quoted in Downes, 1970: 58.

⁸⁵ For the “inferior” inhabitants of Hawaii, Cuba, the Philippines, etc were not “ready” for democracy.

and free trade restored. “The day of destruction has been delayed by the war prices now prevailing. But it is only disaster deferred,” he warned.⁸⁶ He therefore continued his calls for high tariffs and ship subsidies. As German atrocities mounted, Harding leaned increasingly in favor of the Allied powers, but moderated his public comments so as not to offend the many German (and Irish) voters upon whom he depended. Only when Berlin declared open submarine warfare in 1917 did Harding finally declare “it means war – nothing less.”⁸⁷ But Harding saw the conflict as a defense of American rights and security, not as a mission to “make the world safe for democracy”. “I’m not voting for war in the name of democracy,” he declared “it is none of our business what type of government any nation on this earth may choose to have.”⁸⁸ In fact, he believed that Wilson’s quest for a liberal international order “has been a lie from the very beginning.”⁸⁹ Rather, he feared that Wilson’s wartime economic policies were leading to recession, socialism, and possibly even a leftist dictatorship, at home. “After the Kaiser is cared for,” he wrote to a friend “we can prepare to combat the Maximalists, Bolsheviki and Radical Socialists in our own midst. Busy times ahead.”⁹⁰

Harding was no philosopher, but his vision for America was clear and compelling. After years of repression, war, terror attacks, social unrest, and presidential demagoguery, Harding was quite serious when he declared in spring 1920 that “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.”⁹¹ Americans understood exactly what this meant. And while east-coast journalists and Democratic elites mocked Harding’s folksy simplicity, the public loved it. A woman in the crowd watching Harding’s inauguration told the press “We have had Wilson for eight years, and I have not understood him. I understand Harding already.”⁹²

IV. Harding’s Theory of Presidential Leadership

⁸⁶ Harding, Warren G. 1915. *Marion Star* (March 26). Quoted in Downes, 1970: 219.

⁸⁷ Harding, Warren G. 1917. *Wheeling Register* (April 2) Quoted in Downes, 1970: 256.

⁸⁸ Harding, Warren G. 1917. Remarks to Congress (April 4). Quoted in Downes, 1970: 258.

⁸⁹ Harding, Warren G. 1919. Remarks to Congress (January 21). Quoted in Downes, 1970: 318.

⁹⁰ Harding, Warren G. 1918. Letter to Frank Scobey (January 3). Quoted in Downes, 1970: 276.

⁹¹ Harding, Warren G. 1920. Speech to the Home Market Club in Boston, MA. (May 14).

⁹² Baldwin, Elbert F. 1921. Exit Wilson: Enter Harding. *The Outlook*. (March 16): 415

Harding came into office with a late 19th century vision of the Presidency. He was determined to reverse the expansions of presidential power gained by Wilson and Roosevelt. Instead he believed deeply in what today might be called shuttle-diplomacy or a “shepherd’s” approach to executive leadership. Harding saw the President as a facilitator. His job was to bring together divided factions so that they could negotiate solutions to national and international problems. The President might provide focus, even direction, but he must not dictate to other political actors. Indeed, Harding’s entire career had been one of shuttling back-and-forth across all sectors of the American political realm in attempts to facilitate consensus. This partly explains his easy-going, cocktail party approach to politics, for which he was later pilloried in the popular media.

But this suited the country just fine. By the 1920s, Americans were tired of ambitious power-grabbers in government. Both Wilson and Roosevelt had been unusually forceful, even historically unique, in that they had used the executive branch to advance their own personal legislative agendas. They had towered above government, often running roughshod over Congress, their party, and even their own appointees. They had even dictated policy design usually left to Congress or experts in the bureaucracy. And when Congress failed to cooperate, these presidents had audaciously gone over the legislators’ heads directly to the American people with incendiary speaking tours and publicity stunts. Roosevelt had dominated policymaking throughout both his administrations and led with so much demagoguery that he was still viewed by many in the 1920s as having been “either drunk or crazy”.⁹³ As for Wilson, many Americans now saw him as an autocrat who had forced policy upon his weak cabinet, while either ramming domestic legislation down the throat of Congress or obstructing its will.

Harding found such demagoguery abhorrent. “If I felt that there is to be sole responsibility in the Executive for the America of tomorrow I should shrink from the burden.” he declared in his inaugural address.⁹⁴ He far preferred leading through consensus, built through personal relationships, chiefly within his own party. Harding believed that political leaders should seem more meek and reluctant, especially after the tumult of war and social unrest. Only by delegating authority, and by appearing homey, kind, and humble could Harding

⁹³ Blythe, Samuel. 1923. A Calm Review of a Calm Man. *Saturday Evening Post*. (July 28).

⁹⁴ Harding, Warren G. 1921. Inaugural Address," (March 4) Washington D.C.

restore trust, rally support, and bring together a divided country increasingly suspicious of political strongmen. It helped that Harding was an authentic conciliator; it was a task that he genuinely enjoyed.

Harding assigned political parties a central role in the American political process. He felt that democracy was “made operative through the party”.⁹⁵ In particular, it was the job of political parties to synthesize the will of the American people into policy preferences.⁹⁶ And successful political parties arose from loyalty, from “cohesion, discipline, and leadership”.⁹⁷ In fact, there was no element of Harding’s political beliefs more fundamental than loyalty to party.⁹⁸ “I am distinctly a party man,” he had told the press while in the US Senate, “We are governed by parties, not by any one person, and I hope we may never be governed by an individual.”⁹⁹ And he sincerely believed that the Republican Party was the true custodian of Americans’ national interest. “The Republican Party reflects the best conscience of the best civilization the world has ever witnessed” he proclaimed.¹⁰⁰

Harding also believed that legislation was a duty reserved for Congress, not the president. Once parties had formed their policy preferences and won elections, then it was Congress that must act to design legislation to achieve those goals. Experts in the executive branch might advise on, and implement, those policies. But even when the executive branch did have policy ideas, then it should only suggest them to Congress in broad brushstrokes, and then let the legislature and party leaders design the particulars and guide the program through Congress.¹⁰¹ Only when Congress failed in its duties, or veered too far from his “normalcy” vision, was President Harding willing to become a more forceful executive. Even then, Harding believed that the president should not be expected to have all the answers, to be the master of all issues. Rather Harding believed in consulting and appointing respected experts on most matters.

⁹⁵ Quoted in Downes, 1970: 177.

⁹⁶ “In a citizenship of more than a hundred millions it is impossible to reach agreement upon all questions. Parties are formed by those who reach a consensus of opinion. It was the intent of the founding fathers to give to this Republic a dependable and enduring popular government, representative in form, and it was designed to make political parties, not only the preserving sponsors, but the effective agencies through which hopes and aspirations and convictions and conscience may be translated into public performance.” Harding, Warren G. 1920. Address Accepting the Republican Presidential Nomination. (June 12).

⁹⁷ Harding, Warren G. 1912. Editorials in *Marion Star* (Feb 18, June 20). Quoted in Downes, 1970:176.

⁹⁸ Dean, 2004.

⁹⁹ Harding, Warren G. 1916. Press conference (April 6). Quoted in Downes, 1970: 242

¹⁰⁰ Harding, Warren G. 1915. Address to the Grant Memorial dinner in Boston (April 27). Quoted in Downes, 1970: 216

¹⁰¹ Murray, 1969.

V. Ending The Depression of 1920-1921

The Depression of 1920-1921 was *the* major economic crisis for the Harding administration. It commenced in January 1920, when the economy fell into a rapid economic downturn that lasted throughout the remainder of the Wilson administration and deep into Harding's first year in office. Overall, US economic output shrank by around 2-3 percent. Industrial production fell 30 percent by July 1921. On a per capita basis, Americans lost 6 percent of their wealth. The stock market declined for almost two years, with total losses in value surpassing 50 percent. Interest rates topped 7 percent, their highest levels in thirty years.¹⁰² Also, with the war long over and Europe now recovering, America's imports and exports fell by half. Nevertheless, military contracts still ate up over one-third of the federal budget.¹⁰³ As a result, the country's finances were a wreck. Prior to Woodrow Wilson, the government had never spent more than \$700 million in a year; but by 1920, even with the war over, annual federal expenditures topped \$6.3 billion.¹⁰⁴ The federal debt had risen from around \$1.2 billion (\$12 per capita) in 1916 to over \$24 billion (\$228 per capita) in 1920.¹⁰⁵ Perhaps most damaging was unemployment, which skyrocketed, from 3.5 percent in 1919 to 16.3 percent in 1921.¹⁰⁶ Meanwhile, wages for both unskilled and manufacturing labor fell into decline for the first time in a decade, and markedly so.¹⁰⁷ Yet prices for urban consumers remained high, at more than double their pre-war levels, and almost 30 percent higher than when the 1918 armistice was struck. Hence even amongst the employed, there was widespread discontent. More than 1.46 million workers, constituting 7.2 percent of the labor force, had gone on a total of 3411 strikes during 1920.¹⁰⁸

Harding's diagnosis of the depression was simple: it was the result of Wilsonian policies and autocracy, of World War I, and of the federal government's unprecedented expansion into the private sector to fight that war. "[W]e went far afield from safe and prescribed paths amid the war anxieties" he explained in his inaugural

¹⁰² Balke, Nathan and Robert J. Gordon. 1986. Appendix B: Historical Data. In *The American Business Cycle: Continuity and Change*. edited by Robert J. Gordon. Chicago, IL: University of Chicago Press: 781 – 850.

¹⁰³ Table Ea650–661 Federal government debt, by type: 1791–1970; Table Ea636–643 Federal government expenditure, by major function: 1789–1970. *Historical Statistics of the United States*, 2006.

¹⁰⁴ In 1920 current dollars. Table 1.1—Summary of Receipts, Outlays, and Surpluses or Deficits: 1789-2021. *Fiscal Year 2017 Historical Tables, Budget of the U.S. Government*. Washington DC: Office of Management and Budget.

¹⁰⁵ Table Ea650–661 Federal government debt, by type: 1791–1970. *Historical Statistics of the United States*, 2006.

¹⁰⁶ Unemployment as % of Civilian private nonfarm Labor Force. TABLE Ba470–477 Labor force, employment, and unemployment: 1890–1990 (Historical Statistics of the United States (2006)

¹⁰⁷ For unskilled workers, wages were in the process of falling over 17 percent. David, Paul A. and Peter Solar. 1977. A Bicentenary Contribution to the History of the Cost of Living in America. *Research in Economic History* 2: 16, 59.

¹⁰⁸ Table Ba4954–4964 Work stoppages, workers involved, average duration, and person-days idle: 1881–1998. *Historical Statistics of the United States*, 2006.

address, involving America “in the delirium of expenditure, in expanded currency and credits, in unbalanced industry, in unspeakable waste, and disturbed relationships.”¹⁰⁹ Therefore, in order to return to prewar prosperity, the government must return to its limited, prewar functions. To this end, he promised an administration dedicated to cutting expenditures, reducing taxation, and getting government out of the private sector. “We can reduce the abnormal expenditures, and we will. We can strike at war taxation, and we must” He promised that once the federal government got back to “normalcy” and “stability”, then the “forward course of the business cycle” would return the country to peace and prosperity. Otherwise, he hinted that Bolshevism threatened.

Once president, Harding moved quickly. Just ten days after his inauguration, he called for a special session of Congress to address the crisis. A bickering Congress convened in mid-April and, as the economy crumpled, Harding delivered a major address on “Urgent National Problems” to the hushed joint session.¹¹⁰ In forceful yet collaborative tones, he laid out his “normalcy” agenda for a leaner, more efficient and protectionist, government. Yet Harding was not a small-government purist. He also asked legislators to better aid and regulate the nation’s railways, highways, and water transportation. He called for the construction of a large, modern merchant marine, without which “[t]his republic can never realize its righteous aspirations in commerce.” He invited Congress to aid and regulate the new technologies of radio communication and air transportation. He supported the federal Air Mail service to subsidize demand for commercial aviation. To aid war veterans, he called for a massive hospital building program, while vocational training, insurance, rehabilitation and other veterans affairs would be centralized in a single executive agency. He likewise asked Congress to create a Department of Public Welfare in which to centralize all federal programs related to “education, public health, sanitation, conditions of workers in industry, child welfare, proper amusement and recreation, the elimination of social vice, and many other subjects, the government has already undertaken a considerable range of activities.” The admittedly idealistic goal here, according to Harding, was “to encourage development of the highest and most efficient type of citizenship...[and] to crystallize much of [the] rather vague generalization about social

¹⁰⁹ Harding, Warren G. 1921. Inaugural Address. (March 4)

¹¹⁰ Harding, Warren G. 1921. Address to a Joint Session of Congress on Urgent National Problems (April 12).

justice into solid accomplishment.” And, risking a backlash from the South, surprisingly, he asked Congress for a federal anti-lynching law and greater tolerance of blacks.¹¹¹

The new Republican Congress immediately got to work by resuscitating several old bills that Wilson had refused to endorse. Immigration came first. Besides Harding’s personal animosity against foreigners, one shared by large numbers of “old stock” Americans, immigration also swelled the ranks of unskilled and low-skilled workers, making competition for jobs even fiercer at a time when unemployment in these sectors was severe. The result was a broadly popular anti-immigration movement that would last for decades. In mid-May 1921, Harding signed an emergency immigration measure, passed by Congress in just four hours. It set limits on immigration equivalent to three percent of a country’s existing nationals living within the US in 1910.¹¹² This had the effect of drastically reducing immigration from suspect nations in southern and southeastern Europe, while granting allowances for those in the Western Hemisphere. Overall immigration dropped swiftly from over 809,000 in 1920 to just under 310,000 in 1922.¹¹³

Just days after passing immigration reform, Harding also signed an Emergency Tariff Act, repeating “I believe in the protection of American industry, and it is our purpose to prosper America first.”¹¹⁴ Protectionists argued that wartime economic prosperity had been driven by interruptions of foreign imports, combined with skyrocketing exports. Therefore the ongoing depression was sure to be exacerbated, if not partly caused by, recovering imports from Europe. And why should American boys fight and die in a European war that we did not start, only to return home to unemployment and low wages caused by imports from Europe? However, it was the political heft of domestic pressure groups that determined the tariff’s details.¹¹⁵ Primarily targeted at helping farmers, the Act increased duties on imports of foreign wheat, corn, peanuts, potatoes, livestock, cotton, textiles, dairy products and a range of other agricultural products. A few industries also gained protection, as the act prohibited imports of foreign dyes, explosives, and coal-tar derivatives. It also included proscriptions against dumping by foreign exporters. On average, it raised tariff rates on dutiable imports from 16.4 percent (1920) to

¹¹¹ Harding, Warren G. 1921. Address to a Joint Session of Congress on Urgent National Problems (April 12).

¹¹² The 1921 Emergency Quota Law. 1921. Public Law 67-5; 42 Stat. 5.

¹¹³ Murray, 1969: 268

¹¹⁴ Harding, Warren G. 1921. Address to a Joint Session of Congress on Urgent National Problems (April 12).

¹¹⁵ For empirical support, see Hayford, Marc and Carl A. Pasurka Jr. 1992. The Political Economy of the Fordney-McCumber and Smoot-Hawley Tariff Acts. *Explorations in Economic History* 29:30-50.

29.5 percent (1921). These rates would be revised further by the Fordney-McCumber Tariff, signed by Harding in late September 1922 after twenty months of tedious Congressional deliberations. Fordney-McCumber raised the average tariff rate on dutiable imports to just over 38 percent, perhaps the highest trade tariffs for any creditor country in the world at that time.¹¹⁶

The Harding-era tariffs have received mixed reviews, both then and since.¹¹⁷ Most of the benefits went to domestic producers of processed foods, metal and wood products, shoes, textiles, chemicals, and other labor-intensive industries. The industries most hurt were automobiles (via raw material and energy inputs) and energy-related sectors. Agriculture, a major supporter of the tariffs, actually gained little due to the paucity of imports in that sector, and the need for farmers to purchase newly protected industrial goods, especially farm equipment, whose prices increased.¹¹⁸ Federal revenues were helped. That is, as the American economy recovered, the new tariffs acted like a consumption tax, generating ample proceeds for the US government and replacing some of the revenues lost by Harding's domestic tax reductions. But this meant that consumers were hurt by the higher prices created by tariffs. Finally, higher American tariffs on imports hurt Europe, especially Germany. The Europeans remained buried in war debts and were desperate to pay them off with gold and foreign exchange earned through exports. Higher tariffs in the US, now the world's largest wealthy market, made this difficult. Germany's burden was further compounded by heavy war reparations. As governments everywhere scrambled for revenues, the cash-strapped Weimar government in Berlin resorted to simply printing money, resulting in years of hyperinflation and a regional crisis, until the Coolidge administration negotiated an international solution.¹¹⁹

In order to reverse skyrocketing federal deficits and debt, Harding also sought to bring order to the federal budget process. According to the Constitution, legal authority to balance the budget rests with the House

¹¹⁶ International Trade and Exchange Rates. Table Ee424–430 Merchandise imports and duties: 1790–2000. *Historical Statistics of the United States*, 2006.

¹¹⁷ For a good summary, see Kaplan, Edward S. 1996. *American Trade Policy, 1923-1995*. Westport, CT: Greenwood Press; Archibald, Robert B., David H. Feldman, Marc D. Hayford, and Carl A. Pasurka. 2000. Effective rates of protection and the Fordney-McCumber and Smoot-Hawley Tariff Acts: Comment and Revised Estimates. *Applied Economics* 32: 1223-1226.

¹¹⁸ Archibald et. al. 2000; Hayford, Marc and Carl A. Pasurka. 1992. The Political-Economy of the Fordney-McCumber and Smoot-Hawley Tariff Acts. *Explorations in Economic History* 29(1):30-50.

¹¹⁹ Fischer, Conan. 2003. *The Ruhr Crisis 1923-1924*. New York: Oxford University Press; Iriye, Akira. 2013. *The New Cambridge History of American Foreign Relations, Vol 3: The Globalizing of America, 1913-1945*. New York: Cambridge University Press: 89-103; Eichengreen, Barry J. 1998. *Globalizing Capital: A History of the International Monetary System*. Princeton, N.J. : Princeton University Press.

of Representatives, within which the Ways and Means Committee was created to manage that task. But Ways and Means had mostly failed to achieve this goal since the Depression of 1893. The president had little formal power with which to remedy the situation. Federal departments and agencies submitted their financial requests independently to the Secretary of the Treasury, who then bundled them into a “Book of Estimates” that was sent to Congress with little revision.¹²⁰ Sometimes, a determined cabinet member might even take it upon himself to personally lobby Congress for his department’s annual allocation. It was a haphazard process, usually done with little coordination. But prior to the Progressive era, the Federal government was so small, and its functions so limited, that budget discord was rarely considered an urgent national problem. It was only when almost thirty years of uninterrupted budget surpluses suddenly fell into several years of deficits during 1904-1910, that the federal budget system became an important issue.¹²¹ President Taft, with his interest in bureaucratic efficiency, had created a commission to recommend solutions, one of which was a greater role for the president in developing the annual budget.¹²² But it was the vast expansion of government during World War I that made budget reform a national priority. Due to the exigencies of war, the federal budget process became increasingly incoherent, wasteful, and was blamed for ever higher deficits and debts. The Republican Congress had even proposed a solution in 1919, but Wilson objected to its limits on his removal powers and vetoed the bill as a threat to executive power.¹²³

Harding resurrected this budget reform proposal, albeit with greater executive authority over removals. Passed in late June 1921 as The Budget and Accounting Act, it greatly enhanced the power of the White House at the expense of Congress and the executive departments. It created a new Bureau of the Budget (BoB) within the White House with authority for budget planning, and responsible only to the President, not to individual cabinet members, thereby eliminating a major source of discoordination.¹²⁴ The overall idea was to put “the

¹²⁰ Berman, Larry. 1979. *The Office of Management and Budget and the Presidency, 1921-1979*. Princeton NJ: Princeton University Press.

¹²¹ As a percent of total federal outlays, the deficits were 7.4 percent (1904), 4.1 percent (1905), 8.6 percent (1908), 12.8 percent (1909), 2.3 percent (1910). Table 1.1—Summary of Receipts, Outlays, and Surpluses or Deficits: 1789–2021. *Historical Tables: Budget of the US Government*. Washington DC: Office of Management and Budget.

¹²² The 1912 Commission on Economy and Efficiency.

¹²³ The 1919 Good National Budget Bill would have prevented the President from removing either the Comptroller General or Assistant Comptroller General from the General Accounting Office, and given that power to Congress. The 1921 law modified this revised this slightly to include both Congress and the President in removal.

¹²⁴ Berman, 1979.

Government's business on a business basis."¹²⁵ But in a system where budgets and data are power, it also implicitly empowered the White House by giving it responsibility for a "first draft" of the annual budget. To protect the interests of Congress, the Act also created a General Accounting Office, headed by a comptroller, to serve as Congress's watchdog over the budget.

Harding immediately appointed Charles G. Dawes, a conservative businessman and banker, to run the new Bureau of the Budget. Dawes proceeded to slash wasteful spending with gusto. He swiftly established new budgeting methods and coordinated personnel to carefully track government spending, purchases, and disbursements. After only a year in office, the Harding administration had put the federal budget into surplus, saving over \$1 billion in taxpayer money.¹²⁶ Yet, Dawes was mindful to stay away from overtly tampering with policy issues. In fact, "Dawes often insisted that his agency had nothing to do with policy-making and was concerned simply with economy and efficiency in routine government business."¹²⁷ Nevertheless, his command over information, analysis, and budget allocations gave the White House budget director and the president great capacity to influence policy-making throughout the Federal government.¹²⁸

VI. Harding's Allies

Appointees like Dawes were essential for Harding's success as president. For even within his own executive branch, Harding viewed himself as a facilitator and uniter, rather than a boss. Also, not only did Harding recognize his own intellectual limits, but he genuinely believed that "[n]o man is big enough to run this great Republic. There never has been one. Such domination was never intended."¹²⁹ Here again he sought to reverse the trends towards a unitary executive begun by his recent predecessors, who had personally commandeered much US policy.¹³⁰ And during his campaign, Harding had repeatedly promised to consult the "best minds of the United States" on all matters.¹³¹ As a result, individual cabinet members were often the key drivers of Harding administration policy agenda. The president stayed abreast of administration policies, but he

¹²⁵ Harding, Warren G. 1921. Address to a Joint Session of Congress on Urgent National Problems (April 12).

¹²⁶ Trani and Wilson, 1977: 64.

¹²⁷ Berman, 1979.

¹²⁸ Berman, 1979.

¹²⁹ Harding, Warren G. 1920. Address Accepting the Republican Presidential Nomination. (June 12).

¹³⁰ "Unitary executive" refers to the assertion that the President controls the entire executive branch much like the CEO of a corporation, and that all decisions over policy designs, and details are ultimately made by him.

¹³¹ Harding first used this phrase during campaign speeches in late August 1920. It quickly became a catchphrase for appointees and advisors throughout entire administration. See The Progress of the World. *The American Review of Reviews*. (October 1920). LXII(4):345

delegated enormous authority to his cabinet heads to conduct business as they saw fit. Where they were innovative, industrious, and honest, the Harding administration performed well. Where they were not, scandals sprouted.

In an unusual move, Harding submitted his entire slate of cabinet nominees to the Senate on inauguration day, which then confirmed them as a group in under fifteen minutes, with Harding personally reading off the name of each nominee.¹³² The pro-business magazine, *World's Work*, judged them “one of the strongest groups of presidential advisors and department heads in a generation.”¹³³ When *The Outlook* conducted an informal survey of Washington D.C. politicians, it found that the majority of respondents believed Harding’s cabinet appointees to be capable men and wise choices, albeit with a few exceptions.¹³⁴ Two years later, the *Atlantic Monthly* still concurred, writing that “[n]o presidential cabinet during the past half-century has been better balanced, or has included within its members a wider range of political experience.”¹³⁵ Even with the wisdom of hindsight, a prominent Democratic journalist recalled in 1944, that “Harding had possibly the highest grade cabinet of modern years”; though more recent historians of his administration have assessed Harding’s cabinet as being merely “above-average...in talent and political ability” due to its extremes in both competence and corruption.¹³⁶

Harding did not dominate cabinet meetings nor did he interfere with departmental business. Instead, he set out his general vision for his administration, and left his cabinet to do their business. He then supported his cabinet with speeches, appearances, or personal lobbying, wherever necessary to advance their policy agenda. “Harding encouraged me in everything I wanted to do. I never knew him to give a promise that he did not keep.” recalled his Secretary of Commerce.¹³⁷ At first, Harding experimented with roundtable cabinet discussions on policy, but when they proved unproductive, Harding evolved a practice of regular one-on-one consultations with

¹³² Harding In Person Presents Cabinet. 1921. *New York Times*. (March 5): 1,6.

¹³³ “The Men of the Cabinet” *World's Work* LXII(1):81 (May 1921). Quoted in Murray, 1973: 28

¹³⁴ Albert Fall (Interior) and William Daugherty (Attorney General) were correctly judged to be either suspicious or “lacking in merit”. Davis (Labor), Wallace (Agriculture), Denby (Navy), and Mellon (Treasury) were relatively unknown to the respondents, but viewed as capable, if not wise choices, by those who did. Crawford, William, H. 1921. *The Cabinet*. *The Outlook*. (May 11): 64-67

¹³⁵ Munro, William Bennet. 1923. *Two Years of President Harding*. *The Atlantic Monthly* (March).

¹³⁶ Michelson, Charles. 1944. *The Ghost Talks*. New York: G.P. Putnam’s Sons: 231; Trani and Wilson, 1977: 43.

¹³⁷ Hoover, Herbert. 1952. *The Memoirs of Herbert Hoover: The Cabinet and the Presidency 1920-1933*. New York: MacMillan: 48

his department heads. Nevertheless, he stayed constantly informed. For example, his Secretary of State meticulously reported to Harding on an almost daily basis.

Most relevant to the economy was Secretary of the Treasury, Andrew Mellon, a conservative banker and industrial titan who had risen to prominence during the 1880s.¹³⁸ Mellon was instrumental in formulating much of Harding's domestic economic policy and seeing it enacted. Most importantly, he recognized the Depression of 1920-1921 as "one of the most severe this country has ever experienced".¹³⁹ Although usually in favor of passive government, Mellon urged action in this case. He proved indispensable in convincing the Federal Reserve banks to reduce interest rates around the country. Mellon was also responsible for designing the tax reductions of the Revenue Act of 1921, which eliminated onerous wartime taxes. He then refinanced a substantial amount of federal debt, saving \$200 million per year on interest payments.¹⁴⁰ He even led renegotiations of US loans to Europe so as to better guarantee repayment. By the close of 1922, Mellon was already being celebrated as "the greatest Secretary of the Treasury since Alexander Hamilton"¹⁴¹ and soon "the outstanding figure in the Harding cabinet".¹⁴²

The Federal Reserve, due to its potential influence on monetary policy, was a key ally in battling the 1920-1921 economic collapse. Almost since its inception in 1913 under Wilson, the Fed had functioned as an agent of the executive branch due to presidential appointments, the exigencies of war, and the Fed's own lack of experience.¹⁴³ After the war, both Treasury officials and the Fed became concerned that American banks were making too many speculative investments and loans that, if defaulted upon, might provoke a banking crisis. International investors compounded the problem by moving their funds out of the US and back to peacetime Europe, threatening to shrink the American gold supply. The Treasury Department responded in late 1919 by pressuring the individual Fed banks to raise their interest rates, from 4 percent to as high as 7 percent, over the course of several months. Higher rates in the US would reverse the outflows of gold, while reducing the incentives for speculative lending at home. However, the higher rates dampened good business and consumer

¹³⁸ Mellon had vast business interests in the banking, oil, steel, shipping, construction, chemicals, whiskey, and aluminum industries.

¹³⁹ Mellon, Andrew. 1923. (November 20). Quoted in United States Treasury Department. 1924. *Annual Report of the Secretary of the Treasury on the State of the Finances for the Fiscal Year Ended June 30, 1923*. Washington, DC: Government Printing Office.

¹⁴⁰ Cannadine, 2006. *Mellon: An American Life*. New York: A.A. Knopf: 287.

¹⁴¹ Rep. Simeon D. Fess (R-OH), speech to House of Representatives on December 7, 1922 quoted in Cannadine, 2006: 310.

¹⁴² Editorial. 1923. *New York World* (February 24). Quoted in Cannadine, 2006: 310.

¹⁴³ The Federal Reserve Board even met inside the U.S. Treasury building.

lending, together with the unwanted speculation, contributing mightily to the Depression. Therefore Harding needed to convince the independent Fed banks to reverse course. But, with the war over and Wilson incapacitated, the Federal Reserve had been gradually released from *de facto* control by the US Treasury during 1920. This left the incoming Harding administration with little formal authority over monetary policy.

Worse yet, the Federal Reserve system was then institutionally weak. Not yet a decade old, it was still a new, experimental network of large quasi-public banks, not yet conscious of its own powers.¹⁴⁴ Also, during the 1920s, the Federal Reserve system was highly decentralized, with the Federal Reserve Board in Washington D.C. possessing influence but little actual power over the network's monetary policy decisions. The twelve regional Fed banks, spread across the nation, each set their own policy for their individual districts, and they often disagreed with one another or fought with the Fed Board in Washington. Even when the twelve Fed banks acted in concert, the Fed system was at this time a relatively clumsy actor because many private banking institutions remained outside its purview. In other words, the Fed system had a powerful influence over national interest rates and credit markets; but the time when well-coordinated, surgical applications of Fed policy would dominate the US economy remained decades in the future.

Benjamin Strong, the domineering president of the district Federal Reserve Bank of New York, towered over the Federal Reserve system. Not only was Strong a smart, savvy activist, but his New York Fed then held the vast majority of the nation's gold. The New York Fed also dominated transactions in American government debt, in addition to handling all of the Treasury's foreign exchange. His physical location further bolstered Strong; New York City had been the financial capital of the United States for decades, and of the world since the war. As a result, the New York Fed was now also the primary depository institution for the other Reserve Banks and even for foreign banks operating in the US. Thus empowered, and respected by all, Strong could often single-handedly affect policy decisions throughout the Fed system.

¹⁴⁴ For example, only during the early 1920s did the Fed discover that using its discount rate as a penalty rate, as the British central bank did, was not terribly effective. That is, the Fed's lending rate was initially intended to be set higher than the market rate. This would penalize borrowers, making the Fed a last resort to be used by banks in crisis, rather than a commonly used lender during normal times. However, penalty rates tended to discourage borrowing, even in times of crisis, thereby defeating the purpose of expanding the money supply and easing credit. In addition, the Fed had also only just realized that its purchases (and sales) of government bonds from (and to) commercial banks had a powerful effect on private borrowing and lending. In other words, previously, the Fed could only act passively, in response to loan demands from private banks. Now, these "open market operations" were identified as a new tool by which the Fed could pro-actively affect the economy. Nevertheless, the time when surgical applications of Fed policy would dominate the US economy remained decades in the future. Meltzer, Allan H. 2010. *A History of the Federal Reserve, Volume 1 : 1913-1951*. Chicago, IL: University of Chicago Press; Wells, Donald R. 2004. *The Federal Reserve System: A History*. Jefferson, NC: McFarland & Co.

Harding took aggressive action to pressure Strong and the other Fed banks, using whatever tools he could muster. Perhaps Harding's strongest leverage over the Fed system was that the Secretary of the Treasury, now the newly installed Andrew Mellon, still remained on the Fed's Board as an *ex-officio* member. At his very first Board meeting, in early April 1921, Mellon vigorously pushed for rate reductions. President Harding then piled on with urgent statements to the press "that the Federal Reserve has to lower rates generally and help the farmers."¹⁴⁵ Within weeks, the Harding administration had convinced several of the regional Fed banks, and most importantly the powerful New York and Boston banks, to lower their rates by either a full or half a percentage point. Even Strong yielded to Harding, fearing that "bullheaded resistance in this situation is always liable to invite political retaliation".¹⁴⁶ In early May, the Fed Board chair in Washington DC grudgingly announced to the *New York Times* that "the emergency which justified a 7 percent rate has passed."¹⁴⁷

Yet the Harding administration only squeezed harder. A few weeks later, Mellon attempted to force additional Fed action by leaking rumors that more rate reductions were on the way. As they spread, these rumors created enormous pressure from the private banking and business communities on the Fed banks to follow through. As a result, by June 1921, interest rates in New York City were down to 6.25 percent and quickly headed lower, mirrored by similar decreases around the country.¹⁴⁸ They would bottom out at 4 percent the following summer. Together with the budgetary discipline orchestrated by Charles Dawes, Mellon set the nation's finances on a strong foundation. Interest rates, taxes, spending, debts, and deficits soon began to reverse their aberrant course. "[W]e have made great strides..." the *Wall Street Journal* reported at the close of summer, "We are on the verge of a period of prosperity that will be backed by a rigid economy."¹⁴⁹ Investor incentives and market psychology had begun to change; soon lending, household spending, and business began to expand again, ushering in the consumption boom of the 1920s.¹⁵⁰

¹⁴⁵ Quoted in Friedman, Milton and Anna Jacobson Schwartz. 1963. *A Monetary History of the United States, 1867-1960*. Princeton, NJ: Princeton University Press, 1963: 234.

¹⁴⁶ Quoted in Grant, James. 2014. *The Forgotten Depression 1921: The Crash That Cured Itself*. New York, NY: Simon & Schuster: 143

¹⁴⁷ *New York Times*. 1921. (May 6). Quoted in Grant, 2014: 143.

¹⁴⁸ Rates hit 5.5 percent in August, 5 percent in October, and 4.5 percent by December 1921 where they would remain until late spring 1922 when they declined again. During summer 1922, rates fell to 4 percent and did not rise again until February 1923. Discount Rates, Federal Reserve Bank of New York for United States, Percent, Monthly, Not Seasonally Adjusted. National Bureau of Economic Research. Cambridge, MA.

¹⁴⁹ Anonymous senior banker. 1921. *Wall Street Journal* (September 19). Quoted in Grant, 2014: 193.

¹⁵⁰ In May 1923, Harding further increased his potential influence over monetary policy by appointing his boyhood friend, Daniel R. Crissinger, as governor of the Fed Board after a stint as Comptroller of the Currency. Crissinger was conservative, serious, and a "good natured man", but he was eclipsed by the more powerful leaders at the Fed. Meltzer, 2010: 193.

VII. Restoring Trust

Yet solving the Depression of 1920-1921, and preventing another one, went far beyond corrective policy measures; to Harding, it also meant restoring trust in America's political and economic institutions. As one historian of the period observed, "From Wilson he received a disintegrating presidency, a confused and rebellious Congress, a foreign policy in chaos, a domestic economy in shambles, a society sundered with hatreds and turmoil".¹⁵¹ The country's basic institutional framework appeared to have broken down.

Therefore Harding sought to heal divisions amongst the American people and across the political spectrum. Immediately after the inauguration, the Hardings re-opened the White House to the public. It had been closed off since 1917 by Wilson, but the Hardings even furled back the curtains so that the public could see inside. "Let 'em look in if they want to" Mrs. Harding told the staff, "It's their White House."¹⁵² The Hardings brought back cheer to the executive mansion, including several abandoned traditions: the Easter Egg hunt, May garden parties, the First Lady's tea parties, the annual Christmas and New Year's receptions, and weekly receptions of all sorts. The first couple enthusiastically hosted or met with visitors of all backgrounds even tourists, at all hours. "I love to meet people." Harding told one advisor, "It's the most pleasant thing I do; it is really the only fun I have."¹⁵³ And the vast majority of their visitors were ordinary Americans. Mrs. Harding also made a habit of visiting soldiers recuperating at the new veterans hospitals. Following Wilson's cold professorial "autocracy", the Hardings were a homespun relief. One journalist reported that "the first and strongest [impression] Mr. Harding makes upon everyone [is]...the essential kindness and kindness that fairly radiate from him."¹⁵⁴ They were genuinely friendly, approachable, and humble. The president even smoked cigars and chewed tobacco like a regular American. "The change is amazing," wrote journalist Edward G. Lowry in 1921. "the populace is on a broad grin."¹⁵⁵

Harding also tried to bring warmth and trust back into government business. It was for these reasons that Harding paid attention to the ceremonial and symbolic roles of the presidency. They were useful tools with

¹⁵¹ Murray, 1969: 91.

¹⁵² Murray, 1969: 113.

¹⁵³ Whitcomb, John and Claire Whitcomb. 2000. *Real Life at the White House: Two Hundred Years of Daily Life at America's Most Famous Residence*. New York: Routledge: 265

¹⁵⁴ Lowry, 1921: 18.

¹⁵⁵ Lowry, 1921: 14.

which to repair alliances and build confidence in his administration. Hence the President invited dinner guests almost every night to the White House. He granted Congressmen easy access to himself, even allowing them to drop in with little forewarning. Harding also met with business and community leaders to establish priorities for his administration. Within the executive branch, Harding refused to fire married women, popularly derided as uncouth and a waste of money, from federal jobs, and he opened up the foreign service to women. To his discredit, Harding had a poor record of appointing non-whites to Federal positions. He vocally supported anti-lynching laws, but otherwise accomplished little in establishing ties outside of white America. On the other hand, to heal old political wounds, at the end of his first year in office, President Harding liberated from jail the Socialist leader Eugene Debs, who had been imprisoned for speaking against US participation in World War I. Harding then proceeded to work with his Attorney General to free some two dozen other political prisoners arrested by Wilson. "I thought the spirit of clemency was quite in harmony with the things we were trying to do here in Washington" he told friends back in Ohio.¹⁵⁶ Overall, Harding assumed the role of a national "emcee", and it worked. Within months, he was being described by the reporters as "the great emollient that was needed to sooth, to heal, and to relax the angry, inflamed, jangled, querulous local condition and situation."¹⁵⁷

On major policy issues, Harding's preferred technique for building trusted coalitions was to call together meetings and conferences to address urgent national issues. "I had rather submit our industrial controversies to the conference table in advance than to a settlement table after conflict and suffering" he explained in his inaugural address.¹⁵⁸ Most successful were his Washington Naval Conference (winter of 1921-22), two conferences on radio regulation and broadcasting (1922, 1923), and a national conference on commercial aviation (1922). Harding also held major conferences on unemployment (1921) and agriculture (1922) that produced more mixed results. In foreign affairs, Harding called together a conference to repair US-Mexico relations (1923), as well as the Central American Conference (1922-1923) and the Pan-American Conference (1923). When he died, he was scheduled to preside over a religious World Conference on Faith and Order (planned for 1925).

¹⁵⁶ Harding, Warren G. 1922. Letter to Malcolm Jennings (January 6). Quoted in Murray, 1969: 169.

¹⁵⁷ Lowry, 1921: 22.

¹⁵⁸ Harding, Warren G. 1921. Inaugural Address. (March 4)

Conferences adhered to Harding's vision of a "shuttle-diplomacy" approach to presidential leadership. They provided a vehicle by which to bring together all sides under the same roof, and allow Harding to personally facilitate progress. He himself played the role of honest broker, meeting with divided parties and guiding them towards agreement. This could be extremely effective. One attendee at the naval disarmaments conference reported "[Harding's] unruffled serenity is one of the most striking things that appeal to those of us who make the daily rounds of events here... You get a sense of assurance and confidence... [the] unhurried, and unexcited qualities of Harding's personality are most certainly a highly important part of the Conference."¹⁵⁹

VIII. Transitioning out of the Depression

By summer 1921, the Harding administration could already claim success on several economic fronts. The government was in surplus by \$500 million and the gross federal debt had reversed course and was headed downwards. And Harding used the new surplus to further reduce the debt, not spend it on new programs. The recession was winding down, as was deflation, prompting the *New York Times* to cheer "...we have done wonderfully well. Our conditions are the world's best and growing better".¹⁶⁰ The stock market finally bottomed in early August 1921, and proceeded to climb 50 percent through Spring 1923. Industrial output increased by 60 percent during the same period.¹⁶¹ Still, prices remained stable, with inflation never breaking over 3 percent.¹⁶² Real GDP per capita grew by 4 percent in 1922 and topped 11 percent in 1923. Most importantly, unemployment dropped from roughly 11.7 percent (1921) to around 2.4 percent (1923), even as wages for both skilled and unskilled workers recovered some of their lost ground. The postwar decline in exports continued into 1922, but then began a boom that lasted throughout the 1920s. Imports grew steadily as well, though not as rapidly, giving the US a trade surplus throughout the Harding administration. Perhaps the only economic blemish for Harding was economic inequality, which likely more than doubled during his time in office, especially during his first year.¹⁶³

¹⁵⁹ Sullivan, Mark. 1922. *The Great Adventure at Washington: The Story of the Conference*. Garden City, NJ: Doubleday, Page & Co: 224-225.

¹⁶⁰ Treasury Financing. 1921. *New York Times*. (June 9): 14.

¹⁶¹ Adjusted Miron-Romer Index of Industrial Production in Romer, Christina and Jeffrey A. Miron. 1990. A New Monthly Index of Industrial Production, 1884-1940. *Journal of Economic History* 50:321-337.

¹⁶² Monthly rate, annualized. Deflation would return during winter-spring 1922, but prices would remain relatively flat thereafter, at least for urban consumers. Table 24. Historical Consumer Price Index for All Urban Consumers (CPI-U): U. S. city average, all items: 72.

¹⁶³ Lindert, Peter H. 2000. Three Centuries of Inequality in Britain and America. In A.B. Atkinson and François Bourguignon (eds.), *Handbook of Income Distribution, Volume 1*. Amsterdam: Elsevier Science, Ch. 3: 167-216.

However, Congress soon got sidetracked. Passing old Republican bills had been easy; but legislators fell into intransigent squabbling over the new tariff and tax regimes that were top priorities for the Harding agenda. Eager to satisfy constituents, as well as to secure millions of votes from war veterans, Congress interrupted its summer 1921 negotiations on Harding's "normalcy" legislation to instead debate a massive spending bill for war veterans. The widely popular bonus promised veterans \$1 per day for military service during World War I (\$1.25 if sent overseas). While the quarterly payouts were small, around \$50 per war veteran, the total cost was estimated to reach into the billions.¹⁶⁴ Concerned that such reckless spending would destroy the very financial stability that he sought so eagerly to restore, Harding argued that this "modest offering to the millions of service men is a poor palliative to more millions who may be out of employment"¹⁶⁵ In a dramatic move, he personally appeared before Congress to oppose excess federal spending, so as not to repeat the federal deficits and debt that he was working to eradicate. He convinced Congress to table the measure. Harding did however support the Sweet Act, signed in early August 1921, which collected all the disparate veterans agencies into a new Veterans Bureau which reported to the President. The new agency immediately began work on creating a nationwide system of hospitals for veterans. Congress would resurrect the Veterans Bonus bill the following year. But after eight additional months of debate, Harding vetoed it in mid-September 1922, one of only six vetoes he effected as president.¹⁶⁶

For farmers, then suffering both real and relative declines in income, Harding made a tremendous show of his support, but with only limited impact. A combination of technology, trade, and cycles of war had left the American farmer with surplus of production at a time of collapsing prices and increased competition from abroad; meanwhile, the cities, labor, and industry all seemed to benefit from these trends. Therefore a cantankerous, bipartisan "farm bloc" formed in Congress during mid-spring 1921 to lobby for agricultural interests.¹⁶⁷ Harding first met with them to discuss potential policy solutions. Then, when they threatened to

¹⁶⁴ Trani and Wilson, 1977.

¹⁶⁵ Harding, Warren G. 1921. Address to the Senate Urging Unfavorable Action Upon Bill to Adjust Compensation of Veterans of the World War. (July 12)

¹⁶⁶ The others were for an act to reform the judiciary (Dec 20, 1921), a bill to incorporate a Masonic organization in Washington D.C. (Jan 20, 1922), a bill to consolidate national forest lands in Idaho (March 3, 1922), a pocket veto of increased funding for the Department of Agriculture (September 1922), and a military pensions bill for American veterans of major 19th century wars (Jan 3, 1923).

¹⁶⁷ Led by Senator William Kenyon (R-IA) and Representative Lester Dickinson (R-IA), the farm-bloc consisted of 20-25 Senators and roughly a hundred House members.

obstruct progress on Harding's agenda on taxes and tariffs, he rewarded them with a flurry of legislation signed during August 1921, followed by further aid every several months. For example, he offered additional capital to federal land banks for agricultural loans. He also signed legislation making these loans more attractive to investors. He backed preventions on price gouging by meat processors. He taxed speculators who artificially drove up the price of (and therefore reduced demand for) grain futures. He convinced Congress to pass a Federal Highway Act, which drastically increased funding for rural highway construction and maintenance. He signed off on anti-trust exemptions for farm cooperatives. One major piece of legislation was the Packers and Stockyards Act of 1921, one of the largest anti-trust measures in history. It empowered the Department of Agriculture and the Federal Trade Commission to investigate and regulate the meat-packing and stockyards industries, then dominated by the "Big Five" meat trusts.¹⁶⁸ Perhaps most importantly, Harding also backed an Emergency Agricultural Credits Act, which redirected the War Finance Corporation to provide credit to farmers and exporters of farm products. And when the powerful, recalcitrant "farm bloc" desired more, threatening to hold hostage Harding's 1922 legislative agenda, the President skillfully hampered them by appointing their leader in the Senate to a federal judgeship that the latter desired.

Henry Wallace, an insightful Iowa dirt farmer and agricultural journalist, was a key ally in putting together Harding's policy program to aid America's ailing farmers. Wallace was a keen observer of the problems afflicting agriculture, and he had the skill and will to fight for farmers, often against other Harding cabinet members. To the degree that Harding ever succeeded in alleviating the farming crisis and assuaging the "farm bloc", it was largely due to the ideas and activism of Wallace. But in the end, farmers were never satisfied with Harding, nor it seems were they pleased with almost anyone else in government during the 1920s.

Tax reduction was more productive. Having dealt successfully with spending cuts in his budget reforms, Harding next threw his weight behind the Revenue Act of 1921 to cut taxes. Prior to the Act, the highest income tax bracket stood at 65 percent, while corporate taxes were 10 percent, both historic levels to fund the war. There were also myriad other federal taxes on luxury items, "excess profits", and travel. Harding wanted to "lift

¹⁶⁸ Consisting of Swift, Armour, Cudahy, Wilson, and Morris. See Flavin, Thomas J. 1958. The Packers and Stockyards Act, 1921. *George Washington Law Review* 26(2):161-180.

the burdens of war taxation from the shoulders of the American people”.¹⁶⁹ The Act repealed wartime taxes on “excess profits”, transportation, and some luxury goods.¹⁷⁰ It also increased personal exemptions for heads of families and dependents. Overall, however, it reduced the tax burden on the wealthy more than the middle and lower classes, who paid little in federal taxes. Thus negotiations in Congress were arduous. After months of delays and weeks of debate, the Act became law in late November 1921.

Despite these difficulties, by the end of Harding’s first calendar year in office, economic recovery was well underway. Federal deficits and debt were rapidly headed back to prewar levels. Growth was uneven but strengthening every month. Industrial production had grown around 10 percent since its spring nadir. The stock market was up around 35 percent off its autumn lows. Interest rates were down to 4.5 percent and headed lower. Deflation had stopped in autumn and prices appeared to be steady, if not slowly recovering. Even wheat prices appeared to be bouncing back. However, employment and wages remained depressed, setting up Harding for a rocky second year.

IX. Returning to Normalcy in Foreign Policy

The Harding administration also restored “normalcy” in US foreign affairs, with more conservative approaches to trade, investment, and foreign debt. Harding was not a foreign policy expert, but he was quite well-travelled for his day. By the time he entered office, Harding had visited Europe three times, frequented the Caribbean, and sat on the Foreign Relations Committee. Thus he possessed far more international experience than most 19th century presidents. Nevertheless, Harding relied heavily on Charles Evans Hughes, his thoughtful, serious, and energetic Secretary of the State.¹⁷¹ Hughes had been a two-term governor of New York (1907-1910), an Associate Justice of the Supreme Court (1910-1916), and a presidential candidate (1916). He thus brought a steady hand to the country’s turbulent foreign policy. Just as importantly, Hughes also understood the public image aspects of his job at a particularly delicate time. Americans everywhere were anxious about US foreign policy issues due to Woodrow Wilson’s stubborn internationalism, personal domination of foreign affairs, and tendency towards secrecy. Therefore Hughes not only designed prudent foreign policy solutions to

¹⁶⁹ Harding, Warren G. 1921. Address to a Joint Session of Congress on Urgent National Problems (April 12)

¹⁷⁰ For contemporary summary and analysis, see Blakey, Roy G. 1922. The Revenue Act of 1921. *The American Economic Review* 12(1):75-108.

¹⁷¹ Glad, Betty. 1966. *Charles Evans Hughes and the Illusions of Innocence: A Study in American Diplomacy*. Urbana, University of Illinois Press.

urgent problems left over from the war, but he also took care to habitually consult Congress, inform the media, and speak to the public so as to generate calm, support, and consensus on the Harding administration's foreign policy agenda. Hughes was thereby able to resolve contentious long-standing foreign policy issues (peace treaties, troop withdrawal, debt negotiations, relations with Mexico), and even launch new initiatives (disarmament treaties, foreign service reform, relations with the League of Nations, Latin America, and the Caribbean), without generating the poisonous acrimony that Wilson had. The overall result was reduced spending for defense, improved conditions for foreign debt repayments, and a healthier business environment for international trade and investment.¹⁷²

At the top of Harding's foreign policy agenda was the formal conclusion of World War I and a reversal of US policy emphasis on Europe. In particular, he sought to end wartime taxes, reduce military spending, and bring home US troops still scattered around the globe. Blocking progress on these fronts was the unresolved League of Nations issue. US membership in the League had divided Congress, both political parties, and the American people since early 1919. Its supporters believed that the League would foster world peace; critics feared that it would obligate Americans to fight in new European wars and violate US sovereignty.¹⁷³ So intense was the political infighting that Harding had largely punted on the issue during his presidential campaign. However, in his inaugural address, he clearly endorsed a "policy of noninvolvement in Old World affairs" and bluntly declared "we seek no part in directing the destinies of the Old World. We do not mean to be entangled".¹⁷⁴ This would require a smaller, less expensive American military and entail fewer adventures abroad. The following month, Harding was even more strident in his speech delivered to a joint session of Congress, stating emphatically that "In the existing League of Nations...this Republic will have no part."¹⁷⁵ With that decided, next came the war itself. Due to the political disunity over the League fight, the US had never concluded a peace treaty with the Central Powers. Harding therefore quickly worked with Congress to end the

¹⁷² Though admittedly, in foreign affairs, while Hughes was more instrumental in political and legal issues, he was often forced to cede control over foreign economic policy to Commerce Secretary, Herbert Hoover. One scholar of the period observed that "The State Department acted principally as international agent and lawyer for other bureaus and American interests with particular emphasis on political questions." Trani and Wilson, 1977: 133-134. See also Glad, Betty. 1966. *Charles Evans Hughes and the Illusions of Innocence: A Study in American Diplomacy*. Urbana, University of Illinois Press.

¹⁷³ Cooper, John Milton. 2001. *Breaking the Heart of the World: Woodrow Wilson and the Fight for the League of Nations*. New York: Cambridge University Press.

¹⁷⁴ Harding, Warren G. 1921. Inaugural Address. March 4.

¹⁷⁵ Harding, Warren G. 1921. Address to a Joint Session of Congress on Urgent National Problems (April 12).

war by resolution, which the President signed in early July 1921.¹⁷⁶ He then gradually withdrew thousands of American occupation troops from Europe, removing them completely when hostilities between France and Germany flared in early 1923.

To reduce the likelihood of future wars, Harding also agreed to host the aforementioned Washington Naval Conference (1921-1922). Lasting three months, this was an extensive disarmaments negotiation; one that also dealt with competing Great Power territorial claims in the Asia-Pacific region and worked to temporarily de-escalate US tensions with Japan. Expertly run by Secretary of State Hughes, and with ample participation by Harding, the conference resulted in three major treaties, as well as several bilateral agreements involving Japan, China, Russia, Great Britain, and the US. “The passage of these treaties is due largely to the good sense and tact of President Harding...” admitted one of his critics “[H]e is a courteous, sensible American gentleman, and he does bring home the bacon.”¹⁷⁷ In the short run, these agreements were great successes. They defused a costly arms race and reduced regional tensions for a decade. As a result, spending by the US navy shrank by half from 1921 to 1923, while US army spending hit postwar lows in 1924.

Yet none of this meant an abandonment of US security. Harding supported the US navy’s evolution from battleships to cruisers and aircraft carriers, as well as a shift from coal-fueled to oil-fueled ships and the development of military aviation.¹⁷⁸ He also placed a greater emphasis on security in the Pacific, with significant investment in the US naval base at Pearl Harbor. While suffering much criticism in the wake of World War II, more recent historians have since concluded that Harding put the American military on a track that “was quite appropriate for the United States during these years [1921-1931]”.¹⁷⁹ It was a strategy of “involvement without commitment” that “brought remarkable short-term successes...”¹⁸⁰

In foreign affairs, Harding also brought “normalcy” to perennially troubled US relations with Latin America. US relations with Mexico had been particularly rocky ever since its violent counter-revolution in 1913. US citizens, investments, and assets had been threatened, forcing Wilson into repeatedly bungled military

¹⁷⁶ The Knox-Porter Resolution. S.J Res. 16. 42 Stat 105 signed by President Harding on July 2, 1921.

¹⁷⁷ White, William Allen. 1921. *Emporia Gazette*. Quoted in Murray, 1969: 162.

¹⁷⁸ Williamson and Millet, 1996.

¹⁷⁹ Herring, George C. 2008. *From Colony to Superpower: U.S. Foreign Relations Since 1776*. New York: Oxford University Press: 439; See also Cohen, Warren I. 1987. *Empire Without Tears: America’s Foreign Relations, 1921-1933*. New York: Knopf.

¹⁸⁰ Herring, 2008: 436.

actions. The Harding administration successfully pressured Mexico to take steps towards settling existing claims and to protect future foreign investments. Mexico also signed agreements to honor its foreign debt obligations. Some progress was also made on dealing with expropriation and damage claims suffered during the 1910s. Harding's efforts ultimately resulted in formal recognition of Mexico's new government by the United States in late August 1923. The US did not win many of its desired concessions from Mexico, but normal relations were restored. More significantly, the period of sometimes violent US-Mexico rivalry, which had vexed both nations since the 1830s, shifted into a new era of trade, investment, and peaceful diplomatic relations. The Harding administration also began to withdraw American troops from the Caribbean, where they had been engaged in Cuba, the Dominican Republic, and Haiti for years. Harding also settled long-standing differences with Colombia over Theodore Roosevelt's machinations which cost had them Panama and eventually its canal zone. Finally, Harding's State Department helped to resolve border disputes in Central and South America. Add to these accomplishments the Central American Conference of 1922-1923 and the Pan-American Conference of 1923, both held in Washington, and Harding did more to modernize and normalize US relations in the Western Hemisphere than any previous president.¹⁸¹

X. The Labor Crisis

For most of 1922, while Congress remained stymied by tariff negotiations, the nation and the Harding administration were mired in labor strife. The depression had exacerbated already tense relations between labor and business. But unemployment and the anti-union backlash of 1919 had given management the upper hand. Free from wartime restraints, management now fired workers and slashed wages. And when labor struck for better conditions, corporations successfully obtained court injunctions against them, rendering the unions powerless. Unions, which had enjoyed the support of government during the war, were infuriated. They advocated for a new "Labor Bill of Rights" which called for formal recognition of unions, higher wages, and restrictions on injunctions. And rather than back down, they now picketed with ever greater militancy. During the final months of 1921, nationwide strikes disrupted the meatpacking and shipping industries. But the greatest turmoil occurred the following year in coal mining and railroads. With their contracts expiring, half a million

¹⁸¹ Schoultz, Lars. 1998. *Beneath the United States: A History of U.S. Policy Toward Latin America*. Cambridge, MA: Harvard University Press.

Appalachian coal miners struck in early spring 1922, threatening to deprive the nation of fuel.¹⁸² Just three months later, four hundred thousand railroad shop workers went on strike, throwing the entire US transportation and logistics network into disarray.¹⁸³ The Secretary of Labor feared an “industrial collapse.”¹⁸⁴

For months, during late 1921 and early 1922, the Harding administration tried to serve as a neutral party to resolve the disputes. Repeatedly, the White House attempted to bring management and labor together in meetings and conferences, with Harding himself shepherding the negotiations.¹⁸⁵ “In those days we worked day and night...” recalled the Secretary of Labor, “It seemed then that the whole universe had business with [us].”¹⁸⁶ But both the unions and corporations were recalcitrant. Increasingly desperate, the railroad strikers became so violent that a federal judge described them as “a veritable reign of terror. Railroad bridges were dynamited; spikes were removed from rails; obstructions were placed upon railway tracks; bombs were exploded on tracks and in railroad yards and hurled at moving trains”¹⁸⁷ Harding dispatched thousands of federal marshals to protect the railroads and gave state governors formal assurances of support for local actions to support law and order. After months of fruitless negotiation, Harding came to believe that demagogues had taken control of the unions for selfish purposes. “I cannot believe that the thoughtful, loyal mine workers throughout the country mean to imperil the welfare of the people of the United States” he wrote to one coal mine operator.¹⁸⁸ In mid-August 1922, Harding appeared before a joint session of Congress to report that “the country is at the mercy of the United Mine Workers” and to accuse the rail strikers of having “conspired to paralyze transportation”.¹⁸⁹ He insisted that lower wages and employment were part of the “return to normalcy” and that, at best, the strikers were obstructing essential postwar economic readjustment; at worst they were driven by “labor extremists who strive for class domination.”¹⁹⁰

¹⁸² Corbin, David. 2015. *Life, Work, and Rebellion in the Coal Fields: The Southern West Virginia Miners, 1880-1922* 2nd Edition. West Virginia University Press

¹⁸³ Davis, Colin J. 1997. *Power at Odds: The 1922 National Railroad Shopmen's Strike*. Chicago: University of Illinois Press.

¹⁸⁴ James J. Davis quoted in Zieger, Robert H. 1969. *Republicans and Labor: 1919—1929*. Lexington, KY: University of Kentucky Press: 109.

¹⁸⁵ Harding's cabinet also aided labor negotiations; for example, helping Harding to arrange a compromise in which the butchers and meatcutters union accepted wages cuts in return for a forty-hour work week. Grant, 2014.

¹⁸⁶ Quoted in Zieger, 1969: 70.

¹⁸⁷ The “Wilkerson Injunction”. *United States v. Railway Employees' Department of American Federation of Labor et. al.*, US District Court Northern District of Illinois (September 23, 1922), 283 Federal Reporter: 479

¹⁸⁸ Harding, Warren G. 1922. Letter to Stanley Washburn (July 24, 27). Quoted in Zieger, 1969: 128-129.

¹⁸⁹ Harding, Warren G. 1922. Address to Congress on Railroad and Coal Strikes (August 18)

¹⁹⁰ Harding, Warren G. 1922. Address to Congress on Railroad and Coal Strikes (August 18)

With the nation's coal stocks dwindling and farm produce rotting in railyards, Harding finally took action in early September 1922. Though previously supportive of labor, Harding allowed his Attorney General Harry Daugherty to obtain an nationwide injunction against the strikes. Named for the judge who authored it, the "Wilkerson injunction" has become known as "the most sweeping injunction ever issued in a labor dispute".¹⁹¹ Wilkerson found the violence, property destruction, and intimidation by the strikers to be "an unlawful conspiracy or combination in restraint of trade".¹⁹² He therefore forbade any form of assistance to the strike. This included any means of communications to organize it, including public statements of support, or the disbursement of union funds. Furthermore, no persons were allowed to assist the strikers in any way, not "by letters, telegrams, telephones, word of mouth", nor to discourage strike-breakers by "jeers, entreaties, arguments, persuasion, rewards or otherwise."¹⁹³ The Wilkerson injunction shocked Congress, split the Republican party, and even upset many in Harding's cabinet.¹⁹⁴ Daugherty gloated that he would use the full extent of its authority to restore peace. However, though highly controversial, the injunction was successful. The volume of strikes declined rapidly from 1.6 million workers (or 8.7 percent of the workforce) in 1922, to just over 750,000 workers (or 3.5 percent of the workforce) in 1923, and continued to fall until 1930.¹⁹⁵ Union membership also plummeted, from over 5 million in 1920 to around 3.5 million in 1923.¹⁹⁶ The Harding administration had finally broken the postwar era of labor militancy.

XI. Sustaining the Economic Recovery

By autumn 1922, the depression was rapidly fading from memory, yet Harding continued to remain active, even increasingly so. During the remainder of his brief tenure, he backed government regulations to bring order to the rapidly blooming, but chaotic, radio market. He supported similar federal regulations and support for air travel. He sought facilities to increase coverage of worldwide events by the American press, believing that it aided investment. He pushed for lower railroad rates to aid farmers. To aid the unemployed, he

¹⁹¹ Although this quotation is often used to describe the Wilkerson injunction, its origins are unclear. It appears to have been boilerplate language used in media discussions of injunctions even decades earlier.

¹⁹² *United States v. Railway Employees*, 1922.

¹⁹³ Quoted in Dubofsky, Melvyn and Foster Rhea Dulles 2010. *Labor in America: A History, Eighth Edition*. Wheeling, IL: Harlan Davidson: 219.

¹⁹⁴ Zieger, 1969.

¹⁹⁵ Table Ba4954-4964 Work stoppages, workers involved, average duration, and person-days idle: 1881-1998. *Historical Statistics of the United States*, 2006.

¹⁹⁶ Dubofsky and Dulles, 2010: 220

supported accelerated schedules for public works. For labor, he advocated for reduced work hours in the nation's factories and industrial mills. He continued to speak out in favor of anti-lynching laws at a time when it was politically risky to do so. He supported highway construction and maintenance programs for the thriving auto industry. He kept up his rigorous schedule of national conferences on major issues, which produced a flurry of policy recommendations, many of which the Harding administration acted upon. He put Albert Lasker in charge of the US Shipping Board with orders to get the federal government, with its thousands of ships, out of the shipping business. Meanwhile, he ceaselessly lobbied Congress to subsidize a modern, private US merchant marine fleet. The rest of Harding's cabinet members energetically ran or reformed their departments to advance the "normalcy" agenda.

In particular, Herbert Hoover proved to be one of the most innovative and active department heads in US history. At Commerce, Hoover was an empire builder. He skillfully increased his department's budget appropriation, set up three new bureaus (aeronautics, radio, and housing), and eventually purloined for Commerce two independent regulatory agencies and parts of seventeen other agencies that were housed in other departments.¹⁹⁷ He sought to centralize all national data collection within Commerce, and launched new data collection programs to aid the business community, including the *Survey of Current Business* in 1921. He established the Bureau of Standards as a prominent research laboratory and standard-setting body. He also used Commerce to advance US business interest abroad by conducting censuses of market behavior and posting commercial representatives in foreign countries. Indeed, Hoover practically assumed control of US foreign economic relations. And all the while, Hoover continued to manage the American Relief Administration which saved millions of Soviets facing famine in communist Russia during 1921-1922.¹⁹⁸ So great was Hoover's reach that he "came to think of himself as secretary of commerce and assistant secretary of everything else", which often generated conflict and resentment from his administration colleagues, especially Hughes (State) and Wallace (Agriculture).¹⁹⁹

¹⁹⁷ Leuchtenburg, William E. 2009. *Herbert Hoover*. Times Books.

¹⁹⁸ Weissman, Benjamin M. 1974. *Herbert Hoover and Famine Relief to Soviet Russia, 1921-1923*. Stanford, CA: Hoover Institution.

¹⁹⁹ Hawley, Ellis Wayne. 1981. *Herbert Hoover As Secretary of Commerce: Studies in New Era Thought and Practice*. Iowa City, IA: University of Iowa Press: 30.

The consistency of the Harding administration also helped build trust in the economy. For example, the new Bureau of the Budget, designed to rein in expenditures, spent only half its own appropriation. “We took our own medicine” bragged Harding’s budget director.²⁰⁰ Harding’s fight against the expensive veterans bonus bill demonstrated that he was serious about cutting deficits and debt. The president was sure to be overridden on the veterans bonus, and therefore he stood to lose politically, but Harding boldly fought Congress and his own party, and vetoed the bill anyway. Through his appointments, Harding also helped to transform the Federal Trade Commission and the Tariff Commission into advocates for business, rather than regulatory obstacles. During his brief term, Harding also appointed to the Supreme Court four conservative, pro-property rights lawyers, thereby slowing much of the Progressive experimentation that had proved so unsettling during the 1910s. “Normalcy” was not just a campaign slogan, it was a far-reaching policy program that the Harding administration reliably implemented.

Finally, despite his strong views, President Harding proved remarkably flexible in implementing his vision for America. For example, in order to win support from the recalcitrant farm bloc, he had signed all sorts of legislation which infringed upon his “small government” vision. He blasted the veterans bonus as egregious spending, but he also supported a new Veterans Bureau and its new network of hospitals. He severely tightened immigration restrictions, but provided special allowances for those stuck in transit or fleeing onerous conditions at home. He sternly opposed joining the League of Nations and warned against becoming “entangled” with European conflicts. Yet he supported the idea of an association of nations, as well as US participation in the Permanent Court of International Justice (the World Court).²⁰¹ He even allowed the American consul in Geneva to act as an unofficial liaison with the League, and American observers to attend League meetings on technical and humanitarian issues.²⁰² When Harding withdrew the remaining US troops from Europe, he did so gradually and responsibly so as not to destabilize occupation effort there. Harding supported disarmament, but also modernization and technological change in naval aviation, military communication, and energy sources.²⁰³ He pushed for the repayment of war loans to Europe, but allowed more generous interest payments and schedules.

²⁰⁰ Quoted in Trani and Wilson, 1977: 64

²⁰¹ Though neither proposal received enough support in Congress to result in enabling legislation

²⁰² However, the Harding administration stubbornly refused to answer any communications from the League for several months.

²⁰³ Murray, Williamson and Allan R. Millet. 1996. *Military Innovation in the Interwar Period*. New York: Cambridge University Press; Hacker, Barton C. 2006. *American Military Technology*. Baltimore, MD: Johns Hopkins University Press.

And when conditions demanded, Harding diverged from his “facilitator” role to actively pressure Congress, veto popular bills, and even contribute input to legislation. After all, he had been an able negotiator throughout his career, and knew how to compromise effectively.

XII. Forging and Maintaining Alliances

Harding was able to accomplish much of his agenda partly due to his attention to forging and maintaining alliances with other important players in the political arena. For example, Harding supposedly “had the best relationship with the press of any president in history”, at least while he remained in office.²⁰⁴ He got on good terms with journalists starting with his very first news conference. After years of being frozen out by the taciturn, professorial Wilson, reporters now had easy access to a president who was open, frank, and even respectful. As a former newspaper man, “Harding knew their professional interests, what ‘story’ was in it for them, and he gave it to them.”²⁰⁵ He revived the regular White House press conferences and during them, “Harding talked freely about the operations of government” recalled one reporter.²⁰⁶ “He did not wait for questions, but began to talk, an easy, gossipy chat...free of constraint or any hint of stiffness” said another.²⁰⁷ Other times he would simply light a cigar and tell reporters “Shoot!”²⁰⁸ He did not neglect or condescend to the press, as his predecessors had. Harding even allowed himself to be quoted, albeit anonymously. And when the White House press corps grew too large, he set up a question box for reporters to submit written questions so as to ensure adequate coverage of important topics.²⁰⁹ He hired the first formal “speech writers” onto the White House staff, ushering in a new era of executive public relations. His administration was particularly successful with the touchy subject of foreign affairs, thanks to the diligent attention of Hughes to public relations.

Harding’s rapport with Congress varied, ranging from mutual adoration to the frustrations felt between a shepherd and an unruly flock. During his campaign, Harding had promised a restrained presidency and government by party. Congress now sought to collect. In particular, Senate leaders sought to reclaim the role in national affairs that they had largely ceded to the executive branch during the war. Even before Harding’s

²⁰⁴ Murray, 1969: 114

²⁰⁵ Murray, 1969: 114. See also Whitacker, Wayne, R. 1972. Warren G. Harding and the Press. Ohio University, PhD dissertation.

²⁰⁶ Jesse Federick Essary of the *Baltimore Sun*. Quoted in Dean, 2004: 98.

²⁰⁷ Lowry, 1921: 20.

²⁰⁸ Cuneo, Sherman A. 1922. *Printer to President*. Philadelphia, PA: Dorrance Publishers: 103.

²⁰⁹ One journalist later attributed Harding’s switch to written questions, instead of informal press conferences, to an inopportune gaffe by the president on disarmaments that nearly upset delicate negotiations being conducted by Secretary of State Hughes. Michelson, 1944.

inauguration, eager Republican senate leaders had presumed to speak for the entire government. This forced Harding to push back. “Our government good fortune does not lie in any surrender at either end of the Avenue” he chided them.²¹⁰

Nevertheless, Harding put considerable effort into establishing good relations with Congress. He brought the same friendly, self-effacing, consensus-building style to the White House that he had so successfully practiced in the Senate, within the Republican party, and back in Ohio. Also, as a former, and popular, US Senator, Harding was familiar with the inner workings of Congress, and he remained on personally good relations with many legislators. Indeed, he retained the right to visit the Senate uninvited, though he rarely invoked it. A month after his election, he was greeted with a standing ovation by his fellow Senators, promising them “to be as mindful of the Senate’s responsibilities as I have been jealous of them as a member...”²¹¹ Before his inauguration, Harding met with party leaders in Congress to work together on legislation strategies and agendas. He continued to consult Congress throughout his presidency, genuinely believing them to be an invaluable partner in policy design. “President Harding’s methods [of lobbying Congress] were so varied that they are difficult to explain...” reported the White House usher, “Meals, golf, card games, travels, walks, every place was a field of action.”²¹² Otherwise, Harding kept to his word and mostly stayed out of Congressional affairs. A loyal Republican since his political youth, Harding also proved a loyal spoilsman as president, using federal appointments to re-forge party unity after eight years of a Democratic executive branch. Yet, on major foreign policy issues requiring Senate ratification, he appointed bipartisan delegations, and then worked with his Secretary of State to woo Senators and genuflect to their “advise and consent” powers. This stood in stark contrast to Wilson, who had spurned both bipartisanship and the Senate in his foreign treaties. Harding’s consensual style thus removed a major obstacle to amiable Congressional relations with the President, one which had stymied progress for years.

At first, Harding was successful; but the honeymoon did not last long. Obstructions by the “farm bloc”, disagreements over tariffs and taxes, and maneuvering over the veterans bonus, all served to divert

²¹⁰ Harding, Warren G. 1920. Address to the Senate by President-Elect Harding. (December 6).

²¹¹ Harding to the Senate Dec 6, 1920. Quoted in Murray, 1969: 94.

²¹² Hoover, Irwin Hood. 1934. *42 Years in the White House*. Boston, MA: Houghton Mifflin. 251

Congressional business just a few months in Harding's presidency. As early as mid-summer 1921, Harding was complaining to friends that "I find I can not carry my pre-election ideals of an Executive keeping himself aloof from Congress."²¹³ His personal appearance before Congress, in mid-July 1921, to fight the Veterans Bonus was therefore a major volte-face. For some, it was all too reminiscent of Wilson's or Roosevelt's domineering tactics.²¹⁴ Yet Harding refused to employ threats, investigations, or coercion against individual Congressional opponents as Roosevelt had successfully done. This was welcomed by Congress. However, Harding's desire not to intrude too much could also result in a lack of focus, direction, and progress. "[C]ongressional action can only follow the establishment of dominant leadership upon your part" warned an Ohio friend. Even the *New York Times* urged "the time for non-action, or merely mild and genial suggestion, has passed."²¹⁵ Therefore, over time, Harding increasingly felt compelled to intervene, to pressure Congress to set priorities and adhere to legislative time tables. He began to publicly scold legislators as needed, even directly addressing Congress when necessary to prod action. But, given the divisions with Congress and its resentment of presidential power, Harding's success in coordinating legislation was uneven, even amongst Republicans.

New urgency for action was provided by the midterm elections in November 1922. Republican candidates got slammed. The party lost six seats in the Senate and 77 seats in the House; though they still retained their majorities in Congress.²¹⁶ Voters appeared to be expressing frustration with Congress, as well as their own "return to normalcy" after the unusual anti-Wilson surge back in 1920. However, blame for the debacle was cast equally upon Congress and the Harding administration; the former for its high tariffs and disunity, the latter for the Wilkerson injunction and the president's audacious veto of the popular veterans bonus. Harding's support for Senator Truman Newberry (R-MI), who had come into office through a notoriously corrupt election, may have also damaged voters' trust in some quarters.²¹⁷

Believing this be an opportunity for unifying, patriotic legislation, Harding called the outgoing Congress into special session, in late November 1922, to galvanize support for his modern American merchant marine

²¹³ Letter to friend and journalist Malcolm Jennings. Quoted in Murray, 1973: 56

²¹⁴ Palmer, Niall A. 2007. The Veterans Bonus and the Evolving Presidency of Warren G. Harding. *Presidential Studies Quarterly* 38(1):39-60

²¹⁵ Malcolm Jennings 1921; *New York Times* April 13, 1921 page 3. Both quoted in Murray, 1969: 314.

²¹⁶ At the start of the 68th Congress, Republicans controlled 55 percent of the Senate, 52 percent of the House.

²¹⁷ Throughout the spring and summer of 1922, "In the rural West, in particular, cries of 'Newberryism' incited an emotional reaction which defied rational analysis." observes Murray, 1969: 308.

force. However, this third session lasted only two weeks and achieved nothing. House objections to the bill and a Senate filibuster of concurrent anti-lynching legislation scuttled the session. Little came out of the special session other than funding for its own expenses and a public park in Pennsylvania.²¹⁸ When it adjourned, Congress broke for less than a day before its regularly scheduled winter session. With its historic Republican super-majorities due to end soon, the lame duck Congress met for an historic fourth session between early December 1922 and early March 1923. During this time, Congress passed hundreds of bills of local importance, as well as a handful of benefits for veterans, relief for farmers, and a few that dealt with international affairs and the executive departments.²¹⁹

As for Harding, by early 1923, he was working himself to death. One journalist observed that “[i]n the mere prosaic quality of capacity for hard work, Harding is extraordinary”. A White House reporter noted that Harding regularly put in an “eighty-four hour week!”, spent on meetings, speeches, conferences, and correspondence.²²⁰ He filled his days and evenings with events of all kinds, from confabs with Congressmen and cabinet members, to hosting foreign diplomats and conferences, and meetings with average Americans. At the same time, he frantically tried to keep pace with new developments in the various executive departments and federal agencies. “I never find myself done,” Harding once told the press “...It seems as though I have been President for twenty years.”²²¹ Thus worn down, during the first two months of 1923, Harding was mostly incapacitated by flu, and possibly also an undiagnosed heart attack. When Congress finally adjourned its fourth and final session in early March. Harding was glad to see them go. He rested briefly in Florida while he strategized for the next legislative cycle.

With Congress out of session for most of the rest of 1923, a frustrated Harding and his advisors decided that he should regain control of the national agenda. They decided that a nationwide tour was the best way to both pressure Congress and stay true to Harding’s vision of an unintrusive executive. Perhaps a personal appeal to the American people could rally the country behind his agenda and force Congress to fall in line. Such a trip

²¹⁸ Rogers, Lindsay. 1924. American Government and Politics: The Second, Third and Fourth Sessions of the Sixty-Seventh Congress. *The American Political Science Review* 18(1): 79-95

²¹⁹ Rogers, 1924.

²²⁰ Sullivan. 1922: 225; Crawford, William H. 1923. Introducing Our New President. *McClure’s Magazine* (August):30-35. Quoted in Dean, 2004: 147.

²²¹ Harding, Warren G. 1922. Remarks to the National Press Club. March 5. Quoted in Murray, 1969: 417.

might also help reunify his wounded party. The *New York Times* agreed, writing that “Mr. Harding, and Mr. Harding alone, can furnish the incentive for a Republican rally.”²²² Therefore, against his doctor’s advice, he planned an exhausting two-month “voyage of understanding” in which he would “stump the country” to educate Americans about his legislative program, and renew their support for his administration.²²³

Educating the public had been an essential tool of Harding’s political practice since his newspaper days. He understood it as a means of building support, consensus, and trust. He therefore, as president, spent considerable time responding to boxloads of letters that he received from Americans of all backgrounds. He constantly sought to keep Congress, interest groups, and the press informed on his administration’s agenda. He also put special emphasis on government transparency, in part a reaction to the ominous secrecy that had plagued Wilson’s second term. To this end, Harding also encouraged his department heads to meet often with the press and the public. He routinely sent cabinet members and administration officials on speaking tours around the country. Where possible, he even allowed the public into his policy conferences. Harding remained especially proud of his own speech-making and yearned for a chance “to go out into the country and ‘bloviate’”.²²⁴ Harding also continued to write his speeches in clear, plain language. And while critics continued to mock Harding’s homespun speaking style,²²⁵ the *New York Times* admitted early on that “[It] is a good style, let the pundits rage about it as they will.”²²⁶ His Vice President, Calvin Coolidge, agreed “[Harding] never failed to interest and hold his audience.”²²⁷

Hence a national speaking tour in 1923 seemed entirely appropriate. Harding left Washington DC in late June, and proceeded west towards Alaska on a combined railroad tour and ocean voyage that would pass through multiple states. Along the way, he delivered gave fourteen major addresses and countless smaller whistlestop talks. He spoke on all aspects of administration policy: taxes, agriculture, coal, transportation, labor issues, and US entry into the World Court. And Harding was enormously popular. At some stops, tens of thousands turned out to greet his arrival. The crowds were so eager to hear him speak, the press reported, that

²²² *New York Times* February 5, 1923. Quoted in Murray, 1969: 424.

²²³ Murray, 1973: 26.

²²⁴ Quoted in Murray, 1969: 440.

²²⁵ Woodrow Wilson himself complained to his cabinet “there will be one very difficult thing for me...to stand, and that is Mr. Harding’s English.” Quoted in Murray, 1969: 122.

²²⁶ *New York Times*. 1921 (April 24). Quoted in Murray, 1969: 122.

²²⁷ Quoted in Murray, 1969: 122.

“[i]f he had any expectation of avoiding...extemporaneous speeches from the rear platform of his special train, he found that it could not be realized.”²²⁸

XIII. Recession of 1923-1924

Meanwhile, during mid-spring 1923, the economy began to slip back into fairly deep recession that lasted for fifteen months. The main drivers appear to have been cuts in federal spending, contractions in the money supply, and the new Fordney–McCumber Tariff. While each acted alone to slow growth, together they combined to force a painful readjustment back to economic “normalcy”. First, major cuts in federal expenditures had powerful direct and indirect effects on economic growth. Federal spending, especially in the military-industrial sector, plummeted from just under \$5.1 billion (1921) to \$3.3 billion (1922), a massive 35 percent cut in a single year. The Harding administration then cut an additional 4.5 percent in spending during 1923.²²⁹ At first, private demand rose to compensate for the decline in government expenditures. But as the postwar recovery matured, private consumption and investment began to suffer from diminishing returns. The peacetime business cycle was making a comeback.

The spending cuts also created money supply problems. With the Harding administration slashing spending to reduce deficits and debt, the US government needed to borrow less and less money. Soon banks began to scramble for the shrinking supply of US Treasury bonds. But rather than issue new debt, the US Treasury instead turned to the Federal Reserve system. In particular, Mellon believed that the Federal Reserve was holding its vast inventory of high-interest US debt for selfish purposes: to earn profits for the institution so as to pay expenses and to expand its operations.²³⁰ Mellon therefore urged the Fed sell off its Treasury bonds and get out of US debt markets altogether. Under intense pressure from the Treasury Department, the Federal Reserve banks began to reduce its debt holdings during late spring 1922 and by the end of the year had sold off over one-third of their inventory. By June 1923, around three-quarters had been dispatched.²³¹ The effect of these massive bond sales was to lower bond prices, which both pushed up interest rates and contracted the

²²⁸ Three States Greet President Warmly. 1923. *New York Times*. (June 22).

²²⁹ Table Ea636–643 Federal government expenditure, by major function: 1789–1970, *Historical Statistics of the United States*, 2006.

²³⁰ Buffeted by inflation, high administrative costs, as well as the depression, by 1922 the Federal Reserve system was in danger of falling short of being able to pay its expenses. One solution was to raise the discount rates and fees it charged member banks. Another was to buy up US government debt so as to profit off the relatively high interest payments. Meltzer, 2010: 143-150.

²³¹ Meltzer, 2010.

money supply available for both consumers and businesses.²³² In other words, under pressure from the Harding administration, the Fed was helping to throw the country into a recession.

Inflation fears also played a role in the rising interest rates. Due to the months of labor strikes, shortages had appeared in the energy, transportation, and basic materials sectors. These took time to resolve. As a result, inflation surged during the final quarter of 1922, hitting an annualized rate of nearly 7 percent. Additional worries about inflation came from heavy inflows of foreign gold. For not only was the recovering US economy attracting investment from abroad, but Great Britain had entered into a massive multi-year post-war recession. In search of better returns, international investors had begun to move their money across the Atlantic. With the American stock market ripping ever higher, bank lending flush, and production “practically at a maximum”, the Fed banks soon became alarmed that a new speculative bubble might also cause prices to take off. They therefore raised their discount rates in early 1923, from postwar lows of 4 percent to 4.5 percent in March, where they remained until spring 1924.²³³ Although small in nominal terms, the effect on consumers and businesses was akin to a sudden 12.5 percent hike in monthly interest payments on new loans and credit debt.

The Fordney–McCumber Tariff then contributed to the recession by acting like a tax on consumption and business inputs. In particular, domestic prices increased dramatically for agriculture, processed foods, metals, wood products, shoes, textiles, and chemicals. As a result, the cities suffered another bout of inflation during the middle months of 1923, temporarily hitting an annualized rate of almost 14 percent in July. Meanwhile, deprived of the US dollars earned through exports, or borrowed via loans, Europeans were unable to compensate with increased purchases of American goods.

The stock market signaled the beginning of recession in late March 1923, slumping by over 18 percent during the next seven months. Industrial production peaked during April-May. Farmers were the next, and perhaps worst, to be affected. After enjoying a post-tariff bump, prices for agricultural goods quickly fell to their lowest levels since 1916, with wheat falling 20 percent between spring and summer 1923. By autumn, a nationwide economic contraction was clearly in progress. Over the course of the downturn, the economy shrank

²³² Nevertheless, most bankers then believed that Fed sales of securities affected only member bank borrowing, not interest rates or overall credit. Economic studies tended to support this belief that Fed operations were just too small, relative to other supply and demand factors. Meltzer, 2010: 153-155.

²³³ Meltzer, 2010: 198.

a total of around 4.1 percent.²³⁴ With the economy contracting so strongly, a bout of deflation hit during the first five months of 1924. Industrial production finally bottomed in mid-summer 1924, after having dropped over 18 percent. Yet urban workers did well, relatively speaking. Average unemployment rose only slightly from 4.3 percent (1923) to 5.3 percent (1924), and labor unrest fell to the lowest levels in a decade, partly due to the distributive aspects of the tariff, Harding's restraints on immigration, and the Wilkerson injunction. And although prices gyrated violently during this period, net annual inflation was only around 1.0 percent for the period 1923-1924.

Harding died before he had a chance to respond. In early August 1923, midway through his "voyage of understanding", he suffered an "apoplexy stroke" in his hotel suite in San Francisco. At the time, he was only dimly aware that a recession had begun. It was still early in the downturn. He had been travelling and making public appearances constantly for over a month, and was therefore not tightly focused on any particular economic development. To the degree that Harding witnessed or heard anecdotes of the slowdown, he might even have welcomed it. After all, the administration had begun the year worried about inflation, over-production, and bank speculation. And the mid-summer surge in prices suggested that these dangers still threatened. Therefore a mild slackening of economic activity would have been welcomed by many. Regardless, during the early 1920s, there was little reliable macroeconomic data available with which anyone could gauge the economy. Thus, it was not until early autumn, several weeks after Harding died, that Americans began to realize that a new recession was underway.

Yet, even with the slump of 1923-1924, Harding still left the economy in far better shape than he had inherited it in just two and a half years earlier. Despite the deepening recession, during 1923 the economy grew by over 13 percent overall and finished the year 17 percent larger than it was in 1920. Industrial output increased by over 32 percent during Harding's presidency, even after major cutbacks in military spending. As a result, the stock market was up 17 percent since his inauguration and was just two months away from beginning a run that would smash previous records. And yet despite all this growth, prices were generally tame. Meanwhile, federal spending had been cut in half, from \$6.36 billion to \$3.14 billion, while the federal debt was down 8 percent (15

²³⁴ Balke, Nathan and Robert J. Gordon. 1986. Appendix B: Historical Data. In *The American Business Cycle: Continuity and Change*. edited by Robert J. Gordon. Chicago, IL: University of Chicago Press: 781 – 850.

percent on a per capita basis) and both figures were headed lower. Partly as a result, interest rates had come down from 7 percent to 4.5 percent. For average Americans, unemployment was down by two-thirds, strike activity was nearly cut in half, the militant labor movement had been smashed; and yet wages were up over 10 percent off their lows and headed higher.

XIV. “The Harding Muckfest”²³⁵

The Harding administration’s infamous scandals, which have since become synonymous with his presidency, would seem to call into question any positive evaluation of him. Since the 1930s, the mention of Warren G. Harding has brought to mind the Teapot Dome scandal, corruption at the Veteran’s Bureau, the machinations of the “Ohio Gang”, unsavory rumors about the Attorney General, Harding’s notorious trysts, and Prohibition-era shenanigans at the “the little green house on K Street”. At one point, Harding supposedly admitted to a reporter that “I have no trouble with my enemies...But my damn friends...they’re the ones that keep me walking the floor nights.”²³⁶ Had Harding not died of a heart attack during his third year in office, then the corruption of these men would have damaged other important alliances across the political and economic landscape, likely with harmful electoral and legislative consequences.

However, no evidence then or since has ever surfaced to suggest that Harding knew of, supported, or benefited from any of the scandals that took place under his watch.²³⁷ The president never saw any proof of criminal activity at the Veterans Bureau, only of insubordination by its director.²³⁸ Attorney General Harry M. Daugherty was prickly, widely hated, and suspected of all sorts of shenanigans. But he played no role in the Teapot Dome or Veterans Bureau scandals; in fact, Daugherty helped to expose the latter corruption. He was eventually indicted, in 1926, but Daugherty was never convicted of any crime nor imprisoned, and the case was dismissed for lack of evidence.²³⁹ As for the Ohio Gang, historians have since dismissed it as “not part of a

²³⁵ Downes, Randolph. 1967. The Harding Muckfest. *Northwest Ohio History* 39:5-37; Potts, Louis W. 1974. Who Was Warren G. Harding? *Historian*. (August) 36(4):621-645.

²³⁶ White, William Allen. 1946. *The Autobiography of William Allen White*. New York: Macmillan Company: 619

²³⁷ Payne, Phillip G. 2009. *Dead Last: The Public Memory of Warren G. Harding’s Scandalous Legacy*. Athens: Ohio University Press.

²³⁸ Charles Forbes, Harding’s appointment as Director of the Veterans Bureau (August 1921 - February 1923), had been stealing government medical supplies and selling them off at vastly reduced prices for personal gain. When caught by the White House physician, Forbes lied to Harding about his thefts and continued the practice. When the president finally became convinced that Forbes was likely guilty, Harding allowed Forbes to quietly sneak off to Europe and resign there in February 1923. When Congress eventually investigated, months after Harding’s death, it was discovered that Forbes had also accepted kickbacks in return for generous hospital contracts and site selections.

²³⁹ The charges were that Daugherty had improperly received funds derived from the sale of German war assets seized by the US government.

grand, integrated scheme to plunder the government...[but] simply a loose grouping of petty grafters” about whose activities Harding knew little, and not until his final months.²⁴⁰ Harding was never a heavy drinker, though he reportedly liked a highball with his poker games.²⁴¹ And although Prohibition did not ban the consumption of alcohol (just its production, transport, and sale), out of respect for the law, Harding moved his liquor into his private bedroom, and then gave up drinking altogether.²⁴² The Teapot Dome scandal was the clearest incidence of corruption; but other than lax supervision, Harding neither contributed to nor gained from that crime.²⁴³

More relevant to Harding’s economic performance, few of these now infamous calumnies were public knowledge when Harding died in August 1923. Certainly, those Americans who cared, knew of Harding’s golf, drinking, and poker games. Critics also tried to make scandal out of a rumor that Harding had African-American lineage. Harding was unashamed. “How should I know?” Harding joked, “One of my ancestors might have jumped the fence.”²⁴⁴ More serious commentators attacked him for “putting personal friends and fellow townsmen in office, [and] not selecting big men for important posts”, as well as working neither hard nor fast enough as president.²⁴⁵ But there were no investigations of actual corruption by Harding while he was office. In fact, Americans throughout the country mourned his death in 1923. Throngs of average citizens paid tribute to his funeral train as it passed through their towns. Colleagues in Washington remembered him as “the most lovable man I ever knew”; in middle America they bemoaned “the passing of one of God’s noblemen”; and one farm-labor leader even declared Harding “a great President and [his death] is a loss to the whole world”.²⁴⁶

Soon after his burial, however, fictional accounts of Harding, supposedly based on fact, began to issue from the country’s publishing houses. By 1924, headlines were full of criminal investigations and hearsay. That year, false rumors also circulated that Mrs. Harding had burned her husband’s papers, fueling widespread

²⁴⁰ Murray, 1973: 127.

²⁴¹ His secret service agent later wrote “I attended all of these gatherings and I have yet to see the slightest sign of debauch... [Harding] suffered from stomach trouble, and was allergic to alcohol in any but small doses.” Starling, 1946: 169-170.

²⁴² Trani and Wilson, 1977.

²⁴³ Harding was likely warned of Teapot Dome malfeasance by his Secretary of Interior, but the president was not quickly convinced. See Morello, 2001: 96.

²⁴⁴ DNA testing has since mostly eliminated this possibility. Bakeraug, Peter. 2015. DNA Shows Warren Harding Wasn’t America’s First Black President. *New York Times* (Aug 18).

²⁴⁵ Blythe, 1923.

²⁴⁶ Former House Speaker Joseph G. Cannon, St. Louis Mayor Henry Kiel, Senator Magnus Johnson (D-MN). 1923. Quoted in *New York Times* (August 4).

suspicious about his personal involvement in his administration's scandals. In 1927, a bombshell exposé on one of Harding's extra-marital affairs, *The President's Daughter*, began the defamation of Harding's personal life. Soon journalists and insider accounts began to pile on, resulting in a series of unbalanced critiques of Harding between 1928-1931, including the wildly inflammatory and factually incorrect *The Strange Death of President Harding* (1930) written by a former private detective, FBI agent, and con-man.

Taken as a whole, the sudden deluge of tabloid history destroyed Harding's reputation. Harding and Daugherty's ingenious plan to leverage a deadlocked convention into a presidential nomination was soon recast as an insidious plot hatched in a "smoke-filled hotel room" by party elders.²⁴⁷ Rather than being an active president, Harding was instead portrayed as "a man who saw the President's role as largely ceremonial" and who "enjoyed being liked more than he prized being a good leader".²⁴⁸ His penchant for humor, humility, and self-effacement were reinterpreted as guilty admissions of incompetence. Indeed, he is frequently portrayed as a man in over his head. "I am not fit for this office and should never have been here", a frustrated, self-conscious Harding supposedly confessed to the President of Columbia University.²⁴⁹ And the most artful humor and bile levied against Harding has come from critics, opponents, and scandal-mongers, rather than objective observers. Their highly entertaining anecdotes and commentary quickly became part of the Harding legend. His administration's scandals then cemented these caricatures in the public mind; an interpretation seemingly confirmed by the silence of Harding's allies who were eager to move on from their dead and dishonored president. The result, as one contemporary journalist observed in 1923, is that "[the] noise gets us...we say to one another: 'Prob'y there's something into it. I guess this man Harding ain't what he's cracked up to be.'"²⁵⁰ And with the Great Depression came a wholesale rejection of *laissez-faire* government, precisely the type championed by the Harding administration. In other words, to attack Harding was to attack the epitome of Republican government, as well as the debacle of President Herbert Hoover (1929-1933), who had been a prominent member of Harding's cabinet.

²⁴⁷ The book, Allen, Frederick Lewis. 1931. *Only Yesterday: An Informal History of the Nineteen-Twenties*. New York: Blue Ribbon Books, played a key role in disseminating and institutionalizing this rumor in the public memory.

²⁴⁸ Miller Center of Public Affairs, University of Virginia. "Warren G. Harding: Life in Brief." Accessed December 29, 2016. <http://millercenter.org-/president/biography/harding-life-in-brief>.

²⁴⁹ Comment to the President of Columbia University. Quoted in Murray, 1969: 418.

²⁵⁰ Blythe 1923.

Therefore, perhaps one of Harding's greatest failures was not to establish a strong or enduring alliance with the American public before he died. Instead, Harding's modesty damaged his ability to communicate his administration's domestic successes to the public. His own cabinet men called Harding "the poorest advertiser in the United States".²⁵¹ Even the media agreed. For example, a week before his death, a 1923 exposé on the President concluded that "the real defect of the Harding Administration...is that it doesn't make noise enough. It isn't showy enough. It is too calm. Conversely, the criticism is loud and vociferant."²⁵² Many in the public saw only the gracious "emcee", not the hardworking president. As a result, Harding was rarely given credit for his administration's successes. His easy-going personality and folksy speaking style melded with his drinking, golf, and poker games to give the impression that he was "a handsome semi-educated political hack"²⁵³, "confused and childish"²⁵⁴, and mentally overwhelmed by the office.²⁵⁵ Much of this is stereotype and misperception; the result of selective facts and quotes taken out of context.²⁵⁶ Nevertheless, instead of leading the country of depression and chaos, President Harding has become known more for his sexual escapades and his scandal-breeding negligence. Some of his own contemporaries recognized this slander. Twenty years after Harding's death, a prominent journalist of the era observed "In my opinion injustice has been dealt to Harding in the two pictures that have been presented to the country—the one a wily, conscienceless conniver...the other the witless dunderhead who never knew what was going on."²⁵⁷

XV. Conclusion

By the time of Harding's death, the US had indeed returned to "normalcy". The war was formally concluded. US troops were back home. Government spending and taxation were markedly reduced, especially on defense related items. Deficits had disappeared. Interest rates had fallen markedly, allowing the stock market to recover. Unemployment was down by two-thirds, wages were up, and yet inflation was tame. Labor strikes and civil violence were headed towards historical lows. Domestic terrorism had disappeared and socialism had

²⁵¹ Labor Secretary James J. Davis. Quoted in Murray, 1969: 424

²⁵² Blythe, 1923.

²⁵³ Blum, John M. et. al. 1973. *The National Experience: A History of the United States*. New York: 579,589.

²⁵⁴ Mencken, Henry Louis. 1921. Gamalielese. *Baltimore Sun* March 7.

²⁵⁵ For a more complete survey, see Downes, 1967; Potts, Louis W. 1974. Who Was Warren G. Harding? *Historian*. (August) 36(4):621-645.

²⁵⁶ Payne, Phillip G. 2009. *Dead Last: The Public Memory of Warren G. Harding's Scandalous Legacy*. Athens: Ohio University Press.

²⁵⁷ Michaelson 1944: 228

grown increasingly unpopular. New technologies soon began to flood the marketplace and business world. The economy was on a solid path to recovery.

Harding played a substantial political role in these developments. His vision for a smaller, more inward-looking government was clear and compelling to Americans tired of seemingly endless foreign adventures and domestic upheaval. His transparency and consensus-building approach to politics helped to restore trust in the executive branch after years of Wilson's secretive "autocracy". Harding's vigorous pressure on the Federal Reserve resulted in a buoyant monetary policy environment. His strong stands on fiscal responsibility and a restrained foreign policy then enhanced his easy monetary policy. His approaches to immigration and labor militancy, though severe, all but eliminated industrial chaos. And given how divided and combative Congress was, Harding's legislative successes are impressive. Certainly a third Wilson term would have accomplished little of this. Perhaps Harding's only major legislative failures were on the veterans bonus, merchant marine subsidies, a Federal anti-lynching law, and his attempt to reorganize the federal government.²⁵⁸ Nor was he able to solve the farm crisis. Nevertheless, a month after he died, at least one leading journal judged that "[t]he accurate historian will rank Warren G. Harding as one of the really great presidents of the United States of America."²⁵⁹

Certainly Harding did not accomplish any of this single-handedly. Many Harding administration policies were designed either by his senior cabinet members or were left over from previous sessions of Congress. But Harding was an active and essential part of the political team that got them passed and implemented. Harding also actively sought out policy advice from a wide variety of sources. And he habitually followed through with personal support for activating legislation in Congress. After two years in office, Harding understood that his greatest contribution was not in bold innovative leadership, but in re-building Americans' trust and consensus. He confided to a reporter that "I cannot hope to be one of the great presidents, but perhaps I may be remembered as one of the best loved."²⁶⁰ He may have gotten close, for some nine million mourners lined the tracks in August 1923 when Harding's casket returned to Washington from San Francisco.²⁶¹

²⁵⁸ While the details of Ford-McCumber Tariff were sloppy, the Harding administration had few preferences here other than to increase overall trade protection, which it well accomplished.

²⁵⁹ Christian, George B. 1923. Warren Gamaliel Harding. *Current History* (September). Quoted in Murray. 1969: xx

²⁶⁰ Quoted in Michelson, 1944: 229.

²⁶¹ Dean, 2004: 153.

Perhaps the best evidence for the strength of Harding's normalcy vision is that Calvin Coolidge (1923-1929) loyally carried it out after Harding's death in office. "Not one step did Coolidge stray from the Harding path" reports one biographer.²⁶² And with it came the Roaring Twenties and years of Republican victories at the polls nationwide. And as for Harding's bloviations, even his greatest critic, journalist H.L. Menken, was eventually forced to admit that Americans during the early 1920s "...were tired of being instructed and exhorted, and longed only for the return to normalcy that was promised them. The phrase pained grammarians, but it made votes."²⁶³ In fact, one of those votes for Harding came from Menken himself.²⁶⁴

²⁶² Murray, 1973: 132.

²⁶³ Mencken, Henry Louis. Epitaph. *The American Mercury*, April 1924: 327

²⁶⁴ "After meditation and prayer of excessive virulence for many days...I conclude with melancholy that God lays upon me the revolting duty of voting for the numbskull...The duty of a patriot is clear. I shall vote for Gamaliel." Menken, H.L. 1920. The Last Round. (Oct 4) quoted in *On Politics: A Carnival of Buncombe* by H. L. Mencken (edited by Malcolm Moos). 1956. Baltimore, MD: Johns Hopkins University Press: 26-30.