



▲ President Harding joins a parade.

Harding campaign button ►



WITNESS HISTORY AUDIO

A Fun-Loving President

In 1920, voters turned from the intellectualism and rigid idealism of Woodrow Wilson to someone who presented himself as an average American, Warren G. Harding. "I am a man of limited talents from a small town," Harding admitted. "I don't seem to grasp that I am President." The genial politician from Marion, Ohio, got more pleasure from golf, poker, and music. He once claimed that he could play every band instrument "but the slide trombone and the e-flat cornet." But what Harding loved most was shaking hands with tourists who visited the White House:

"I love to meet people. It is the most pleasant thing I do; it is really the only fun I have. It does not tax me, and it seems to be a very great pleasure to them."

—Warren G. Harding, U.S. President

The Business of Government

Objectives

- Analyze how the policies of Presidents Harding and Coolidge favored business growth.
- Discuss the most significant scandals during Harding's presidency.
- Explain the role that the United States played in the world during the 1920s.

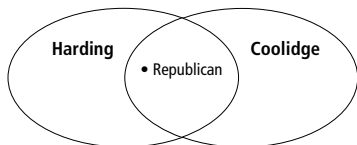
Terms and People

Andrew Mellon	Washington Naval
Herbert Hoover	Disarmament
Teapot Dome scandal	Conference
Calvin Coolidge	Kellogg-Briand Pact
	Dawes Plan

NoteTaking

Reading Skill: Compare and Contrast

Note similarities and differences between Presidents Harding and Coolidge.



Why It Matters In 1920, Warren G. Harding was elected President on a pledge of a "return to normalcy." Rather than pursue reform, as the Progressives had done, Harding and his successor, Calvin Coolidge, favored more conservative policies that aided the growth of business. This pattern—a period of activism followed by a more laissez-faire approach—would repeat itself in the 1950s and 1980s. **Section Focus Question:** How did domestic and foreign policy change direction under Harding and Coolidge?

The Harding Administration

What exactly did a "return to normalcy" mean? Different voters saw different things in the vague phrase. Some saw it as a retreat from involvement in world affairs, others as a rejection of Progressive reform efforts or a swing back to laissez-faire economics. Once in office, however, Harding had to give substance to his promise.

New Policies Favor Big Business Harding signaled the economic direction of his administration by naming wealthy banker **Andrew Mellon** Secretary of the Treasury. Mellon's idea of prudent economic policy was to support legislation that advanced business interests. He disliked the relatively new income tax, favoring instead low taxes on individuals and corporations. Mellon also cut the fat from the budget. By 1925, Congress had reduced spending from a wartime high of \$18 billion to \$3 billion. Instead of sinking deeper into debt, the Treasury actually showed a surplus.

Harding signed a bill raising protective tariff rates by about 25 percent. The tax on imports made it easier for American producers to sell goods at home. However, in retaliation, European nations also hiked tariffs, making American goods harder to sell overseas. This tariff war weakened the world economy.

Under the Progressive leadership of Roosevelt and Wilson, the federal government had passed laws to break up monopolies, protect workers, and restrict the absolute freedom of business leaders. By contrast, Harding favored a return to a more traditional laissez-faire approach. He and Mellon worked to reduce government regulation of business.

Still, the Harding administration did not abandon social goals. Harding's thoughtful and energetic Secretary of Commerce, **Herbert Hoover**, worked with business and labor leaders to achieve voluntary advancements. What the Progressives hoped to achieve through legislation, Hoover attempted to attain with the cooperation of interest groups. He enjoyed great successes at getting people to work together instead of battling one another.

The Ohio Gang Cashes In Harding was a kind, likable man, but he was not especially intelligent. Perhaps no President was friendlier, and few had less sense of what was expected of a President. Faced with a tax issue, Harding lamented, "I listen to one side and they seem right . . . I talk to the other side, and they seem just as right, and here I am where I started. . . . What a job!"

Rather than struggle to master the complexities of the job, Harding trusted others to make decisions. Many were his close friends, men he enjoyed relaxing and gambling with at late-night poker games. Known as the Ohio Gang, they were not honest public servants like Mellon and Hoover. They were mostly greedy, small-minded men who saw government service as a chance to get rich at the expense of the very citizens they were supposed to serve.

Charles Forbes, head of the Veterans' Bureau, practiced graft on an immense scale and wasted hundreds of millions of taxpayers' dollars. For example, his department bought \$70,000 worth of floor cleaner—enough to last 100 years—at more than 24 times the fair price. Another Harding pal, Attorney General Harry Daugherty, used his position to accept money from criminals.

The Teapot Dome Scandal Explodes The worst scandal involved Secretary of the Interior Albert Fall. In 1921, Fall arranged to transfer oil reserves in Elk Hills, California, and Teapot Dome, Wyoming, from the Navy Department to the Interior Department. The oil reserves were intended for the navy's use in time of emergency. Harding signed the transfer.

Once Fall had control of the oil, he forgot about the needs of the navy. He leased the properties to private oilmen in return for "loans"—which were actually bribes. Rumors of the deal led to a Senate investigation, and, by 1924, the entire



Analyzing Political Cartoons

The Teapot Dome Scandal This cartoon comments on the most notorious scandal of the Harding administration.

1. What object is used to represent the scandal? Why?
2. According to the cartoon, what is the impact of the scandal?



Silent Cal

In the picture (above right), President Coolidge reenacts the scene when his father swore him in as President. At above left, Coolidge wears a proper business suit to go fishing.



sordid affair was revealed to the public. Later, the oil reserves were returned to the government. Fall was sentenced to a year in prison.

Harding himself never saw the full extent of the **Teapot Dome scandal**.

In fact, he only had a growing suspicion that his friends were up to no good. But that was enough, as he said, to keep him “walking the floor nights.” In July 1923, he visited Alaska during a speaking tour. On his return voyage, he suffered a heart attack and died on August 2. Americans mourned Harding as they had mourned no other President since Lincoln. When the full extent of the scandals emerged, however, the public formed a different opinion of him.



Checkpoint What were the causes and effects of the Teapot Dome scandal?

Coolidge Prosperity

News of Harding’s death reached Vice President **Calvin Coolidge** during a visit to his father’s Vermont farm. Almost immediately, the elder Coolidge, a justice of the peace, used the family Bible to swear in his son as President.

In personality, Coolidge was far different from the outgoing, back-slapping Harding. Known as Silent Cal, he was quiet, honest, and frugal—a man who measured his words carefully. He placed his trust in business, and put his administration in the hands of men who held to the simple virtues of an older America. Political sharpies out to make a quick buck had no place in the Coolidge administration. Neither did Progressives who believed in an activist government bent on sweeping reforms.

Silent Cal Supports Big Business Coolidge admired productive business leaders. “The man who builds a factory,” Coolidge once said, “builds a temple.” He believed that the creation of wealth benefited the nation as a whole. In 1925, he expressed this view in his best-known speech:

Primary Source

“The chief business of the American people is business. They are profoundly concerned with producing, buying, selling, investing, and prospering in the world. . . . We make no concealment of the fact that we want wealth, but there are many other things that we want very much more. We want peace and honor, and that charity which is so strong an element of all civilization. The chief ideal of the American people is idealism.”

—Calvin Coolidge, speech to the American Society of Newspaper Editors

Coolidge's statement of values and principles has often been oversimplified as "the business of America is business."

In his approach to the economy, Coolidge continued to follow the goals of Secretary of the Treasury Mellon by reducing the national debt, trimming the federal budget, and lowering taxes to give incentives for businesses. Coolidge thus oversaw a spectacular boom in the national economy. For almost six years, the economy soared, generating industrial profits, spectacular growth in the stock market, and general prosperity, especially for urban Americans.

Vocabulary Builder

incentive—(ihn SEHNT ihv) *n.*
something intended to encourage someone to take action or work harder

Troubles Brew Beneath the Surface Yet, there were grave problems breeding in the nation. Farmers struggled to keep their land as the prices of their goods fell. Labor unions demanded higher wages and better working conditions. African Americans faced severe discrimination, especially in the South, where Jim Crow laws made enforced segregation a way of life. African American leaders urged Congress to pass an antilynching law. In the Southwest, Mexican Americans confronted shamefully low wages and efforts to force them to return to Mexico.

To all of these concerns, Silent Cal remained silent. Like Harding, he mistrusted the use of legislation to achieve social change. Unlike Progressive Presidents, he believed that it was not the business of the federal government to help create an ideal nation.



Checkpoint What policies did Calvin Coolidge favor to support economic growth?

America's Role in the World

Under both Harding and Coolidge, America continued to play an increasingly important role in world business and trade. Beyond that, U.S. foreign policy was largely shaped by reaction to World War I. No previous war had been as deadly. Citizens of all nations agreed: It must never happen again. But how could this goal be achieved?

Seeking an End to War One solution was to avoid another arms race, such as the naval rivalry between Germany and Britain that had contributed to the outbreak of the war. In 1921 and 1922, diplomats gathered in Washington, D.C., to halt another naval arms race before it got out of control. World leaders agreed to limit construction of large warships and hammered out a settlement on several problems between Japan and the West. This **Washington Naval Disarmament Conference** did not end the world's naval problems, but it raised hopes that nations could solve disagreements without resorting to war.

A later attempt to prevent war was the **Kellogg-Briand Pact** of 1928. Secretary of State Frank B. Kellogg and French Foreign Minister Aristide Briand

The United States in International Affairs, 1920–1929



	Goal	U.S. Action
League of Nations	To prevent war and settle disputes between nations	U.S. membership favored by Wilson; rejected by Senate
World Court	To make judgments in international disputes voluntarily submitted by nations	U.S. participation favored by Harding; rejected by Senate
Washington Naval Conference	To reduce arms race and size of navies of major powers	U.S. agreed with leading naval powers to limit construction of warships.
Kellogg-Briand Pact	To "outlaw war ... as an instrument of national policy"	U.S. agreed with many other nations to renounce war as a means of settling international disputes.

(bree AHN) drew up a treaty to “outlaw” war “as an instrument of national policy.” Eventually, 62 nations ratified the pact. But, in reality, the pact was unenforceable. Kellogg knew it, Briand knew it, and so did the rest of the diplomats. No sooner was the ink dry than everyone involved forgot about it.

Although Congress applauded the useless Kellogg-Briand Pact, it refused to join the World Court, an international body which at least promised to help mediate international disputes. As much as possible, most American leaders in the 1920s hoped to avoid another war by keeping the rest of the world at arm’s length.

Collecting War Debts Money issues were another matter. The United States insisted that Britain and France repay their huge war debts to the United States. For this to happen, though, Germany had to make the reparation payments to Britain and France imposed by the Treaty of Versailles. The complex financial issue threatened to undermine the international economy. Some statesmen suggested reducing or even canceling both war debts and reparations. But the frugal Coolidge insisted that a debt was a debt and had to be paid.

In 1924, an agreement known as the **Dawes Plan** arranged U.S. loans to Germany. By enabling Germany to make reparation payments to Britain and France, the Dawes Plan helped Britain and France to repay their debts to the United States. Of course, the entire scheme was financed by U.S. money. After the stock market crash of 1929, however, the well of U.S. money went dry. Germany stopped reparation payments, and Britain and France ended war-debt payments to the United States.

In the end, the war-debt situation damaged America’s reputation in the eyes of the world. People from England and France thought that it was heartless for American bankers and politicians to insist on repayment of debts and not to take into account the human costs of the war. In the next war, the United States would take a more flexible approach to war loans.

 **Checkpoint** How did the United States support world peace efforts during the 1920s?

SECTION

2 Assessment

Progress Monitoring Online

For: Self-test with vocabulary practice
Web Code: nea-0703

Comprehension

- 1. Terms and People** For each of the following, write a sentence explaining its importance to national politics of the 1920s.
 - Teapot Dome scandal
 - Washington Naval Disarmament Conference
 - Kellogg-Briand Pact
 - Dawes Plan

- 2. NoteTaking Reading Skill: Compare and Contrast** Use your Venn diagram to answer the Section Focus Question: How did domestic and foreign policy change direction under Harding and Coolidge?

Writing About History

- 3. Comparing Historical Interpretations** Some people view Coolidge as a moral, idealistic President who restored integrity to government and promoted prosperity. Others see him as a stiff, unimaginative President who retreated from the idealism of the Progressive Era and cared only for the interests of business. Make a Venn diagram comparing these differing historical interpretations.

Critical Thinking

- 4. Make Comparisons** How did the approach to government of Harding and Coolidge differ from that of the Progressives?
- 5. Draw Conclusions** Do you think that Harding should be held responsible for the scandals in his administration? Why or why not?
- 6. Evaluate Information** Many Americans in the 1920s seemed to support both isolationism and an active role in international affairs. Do you agree?