



Remembering President Warren G. Harding

by John Hendrickson

The November 2, 2010 midterm election was a historic event that will have ramifications on politics and policy, but it is also historic because it is the birthday (November 2, 1865) of President Warren G. Harding and the day he was elected President (November 2, 1920) by a landslide majority of 60 percent of the popular vote and 404 electoral college votes. Harding's victory began a period of conservatism in American politics with an emphasis on limited constitutional government in response to the progressive policies that had dominated the administrations of President Theodore Roosevelt and Woodrow Wilson. Today, just as in November 1920, the nation needs to return to policies rooted in the Constitution. President Warren G. Harding has left a solid economic record that is based on cutting spending, reducing tax rates, and paying down the national debt. It is these policies that are so desperately needed today in order to restore the national economy.

Currently, the national economy is still fighting for recovery in the aftermath of the "Great Recession." Unemployment, which currently stands at 9.6 percent, and uncertainty over policies stemming from President Barack Obama and the Democrat-controlled Congress are stalling recovery. In addition, in January 2011 the Bush Tax Cuts are scheduled to expire, which will result in a massive tax increase. Failure to renew the Bush Tax Cuts will certainly prolong, or throw the economy back into, recession.

The cause of the uncertainty in the economy is the numerous policies emerging from Congress and the Administration. The increase in regulation, the stimulus bill (\$862 billion), the Patient Protection and Affordable Health Care Act — among other policies — are causing concern for businesses and the markets. Other policies such as the Federal Reserve "easy" monetary policy and the looming possibility of a tax increase have caused the dollar to fall in value and bring further anxiety over the economy.

Government spending is also a concern as the nation faces mounting debt and record levels of spending that have failed to bring economic recovery and reverse unemployment. *The Wall Street Journal* recently reported that "spending rolled in for the year that ended September 30 at \$3.45 trillion, second only to (FY) 2009's \$3.52 trillion in the record books."¹ In addition, *The Wall Street Journal* reported that the deficit for (FY) 2010 "was \$1.29 trillion, down slightly from \$1.42 trillion."² Both deficits and the national debt, which is over \$13 trillion, will continue to increase unless government spending is controlled. At the heart of the spending crisis is the entitlement state — the unfunded liabilities of Social Security, Medicare, and Medicaid — which, unless reformed, will consume the federal budget, costing trillions. The new health-care reform law, unless repealed, will add additional burdens to the federal budget and is also expected to cost in the billions or even trillions.

The historic nature of the 2010 midterm election may be a sign of a return to more conservative principles based on constitutional limited government. President Warren G. Harding also faced a significant economic crisis, the depression of 1920, which resulted in not only economic decline, but also 11.7 percent unemployment. Government spending, largely because of World War I, was out of control and tax rates were extremely high — in fact over 70 percent on top incomes. Harding's political philosophy was rooted in limited constitutional government and he "always decried high taxes, government waste, and excessive government interference in the private sector of the economy."³ In his Inaugural Address, he stated that "any wild experiment will add to the confusion;" in other words, his solution for the national problems would be handled through limited government means.⁴

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In response to the depression of 1920 President Harding followed a policy of cutting government spending, reducing tax rates, and paying down the national debt. As economic historian Jim Powell wrote:

Federal spending was cut from \$6.3 billion in 1920 to \$5 billion in 1921 and \$3.2 billion in 1922. Federal taxes fell from \$6.6 billion in 1920 to \$5.5 billion in 1921 and \$4 billion in 1922.⁵

President Harding “by the time he died in August 1923, had cut spending almost 50 percent, cut taxes almost 40 percent, and he began paying down the national debt.”⁶ The Harding administration also fought for limited constitutional government. For example, Harding vetoed the Veteran’s Bonus Bill, not because he opposed a bonus to veterans of World War I, but rather he opposed the measure because Congress did not specify “how the bonuses would be funded.”⁷

Harding also appointed conservatives to the federal judiciary and other administrative posts who agreed with his philosophy of limited government and economic liberty. Harding appointed former President William Howard Taft as Chief Justice of the Supreme Court and he also appointed George Sutherland, Pierce Butler, and Edward Sanford to the Court. All were judicial conservatives who opposed the progressive notion of a Darwinian Constitution. In a recent Bloomberg article, economic historian Amity Shlaes wrote that “contracts were especially holy under President Warren Harding...”⁸ In fact another historian has described the conservatives of the 1920s to be engaged in “constitutional worship.”⁹

The 1920s resulted in an economic expansion fueled by an increase in industry and entrepreneurship. President Calvin Coolidge, who assumed the presidency after Harding’s death, continued the Harding economic policies. Jim Powell noted that “Coolidge further cut spending, down to \$2.8 billion in 1927.”¹⁰ “Altogether, spending and taxes were cut 50 percent during the 1920s, and about 30% of the national debt was paid off,” while the federal budget saw surpluses and low unemployment (1.8 percent).¹¹

Today’s policymakers can learn from President Harding. It can be argued that the situation today is not the same as the 1920s, but the same principles that Harding applied to the economy can be utilized today. Perhaps the midterm election will signal a policy return, a return to normalcy in American politics, and principles of conservatism can guide today’s policymakers as they guided Harding and Coolidge in the past.

Endnotes:

¹“The 2010 Spending Record,” editorial, *The Wall Street Journal*, October 12, 2010, <http://online.wsj.com/article/SB10001424052748703358504575544351734226956.html?mod=WSJ_Opinion_LEADTop> (October 12, 2010).

²Ibid.

³Robert K. Murray, *The Harding Era: Warren G. Harding and His Administration*, American Political Biography Press, Newton, Connecticut, 1969, p. 171.

⁴Warren G. Harding, “Inaugural Address, March 4, 1921,” *The American Presidency Project*, <<http://www.presidency.ucsb.edu>> (June 4, 2010).

⁵Jim Powell, “Not-So-Great Depression,” *cato.org*, January 7, 2009, <http://www.cato.org/pub_display.php?pub_id=9880> (October 8, 2010).

⁶Jim Powell, “Jump-starting the economy,” *The Washington Times*, September 10, 2010, <<http://www.washingtontimes.com/news/2010/sep/10/harding-and-coolidge-18-unemployment/>> (September 17, 2010).

⁷Powell, “Not-So-Great Depression.”

⁸Amity Shlaes, “Obama drags recovery in raw deal for contracts,” *Bloomberg*, October 11, 2010, <<http://www.bloomberg.com/news/2010-10-12/obama-drags-recovery-in-raw-deal-for-contracts-commentary-by-amity-shlaes.html>> (October 12, 2010).

⁹Morton Keller, *In Defense of Yesterday: James M. Beck and the Politics of Conservatism, 1861-1936*, Coward-McCann, New York, 1958, p. 157.

¹⁰Powell, “Jump-starting the economy.”

¹¹Ibid.

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