

Chapter 27

The Politics of Normalcy

Did the Republican Era of the 1920s bring peace and prosperity to all Americans?

27.1 Introduction

Between 1917 and 1920, the United States experienced war, strikes, recession, and race riots. Ohio Senator Warren G. Harding knew what most Americans wanted next: peace and quiet. In May 1920, he told a Boston audience,

America's present need is not heroics, but healing; not nostrums [ineffective remedies], but normalcy; . . . not agitation, but adjustment; not surgery, but serenity; not the dramatic, but the dispassionate [calm]; not experiment, but equipoise [balance]; not submergence in internationality, but sustenance in triumphant nationality.

—Senator Warren G. Harding, speech in Boston, 1920

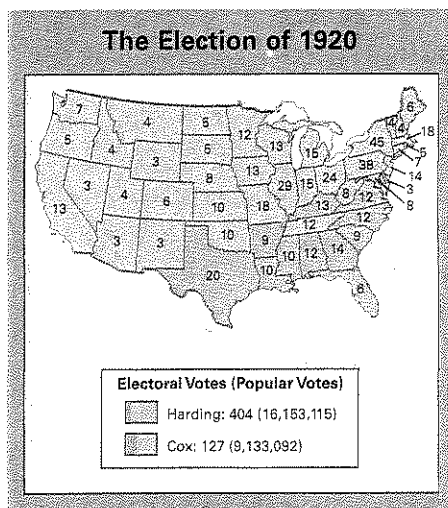
It was a typical Harding speech in the puffed-up, pompous style he called “bloviating.” Pennsylvania Senator Boies Penrose jokingly warned Republican leaders, “Keep Warren at home. Don’t let him make any speeches. If he goes out on a tour, somebody’s sure to ask him questions, and Warren’s just the sort of . . . fool that’ll try to answer them.”

For all of its wordiness, Harding’s speech captured the public mood perfectly. Later that year, he was nominated to be the Republican candidate for president. Taking Penrose’s advice, Harding campaigned from his front porch and gave short speeches, promising to bring America “back to normalcy.” That promise won him more than 60 percent of the vote.

For Harding, normalcy meant a return to life as it was in prewar America. Wilson’s concentration on world affairs would be replaced by a focus on prosperity at home. In his inaugural address, Harding declared, “We want less government in business and more business in government.” Afterward, a woman in the audience observed, “We have had Wilson for eight years, and I have not understood him. I understand Harding already.” Harding’s inauguration began the Republican Era, which lasted through the 1920s.



Famous for leading his presidential campaign from his porch, Warren G. Harding took office in 1921. On inauguration day, the handsome, people-loving Harding was a striking contrast to the frail Woodrow Wilson. No one would have guessed that Harding’s health would quickly fail. He died in office in 1923.



Republican Warren G. Harding defeated Democrat James M. Cox by a wide margin in 1920. This was the first election in which women were allowed to vote everywhere in the country.

27.2 A Republican Era Begins

The contrast between the aged, sickly Woodrow Wilson and the robust Warren Harding was proof enough that a new era had arrived. But there was more. Harding was the first president to have his inauguration speech amplified through loudspeakers. After speaking, he walked to the Senate to personally nominate his cabinet members. No president had done that since George Washington. On entering the White House, he opened the front gates, raised the blinds, and welcomed the public. Ordinary Americans had not been allowed on the White House grounds since the beginning of World War I.

Harding Cuts Taxes and Spending Before going into politics, Harding had owned a small newspaper in his hometown of Marion, Ohio. "He looks like a president," thought Harry Daugherty when he first met Harding in 1899. For the next 21 years, Daugherty managed Harding's political career all the way to the White House.

By his own admission, Harding was "a man of limited talents from a small town." But his cheerful, gregarious nature kept him popular with the public. So did his commitment to the **free enterprise system**. Such an economic system is characterized by private ownership of property, including land and resources. It relies on competition for profits and the forces of supply and demand to determine what goods and services should be produced and at what price.

With the support of a Republican Congress, Harding set to work to end the postwar recession. He repealed taxes that had been raised under Wilson to fund the war effort. Harding also reduced federal spending. His budget director, Chicago banker Charles Dawes, made the government operate in a more efficient way. Dawes's efforts were believed to have saved at least a billion tax dollars annually at a time when the federal government's yearly spending came to less than \$5 billion. The resulting surplus was used to pay down the national debt.

Harding's **fiscal policy**, or approach to taxes and government spending, brought renewed prosperity. Prices plunged in 1921, so Americans could afford more goods and services. Unemployment dropped from nearly 12 percent when Harding took office to just above 2 percent in 1923.

Harding's Friends Betray Him: The Teapot Dome Scandal A loyal friend, Harding filled several government positions with old pals from Ohio. The leading member of this "Ohio Gang" was Harding's former campaign manager and now attorney general, Harry Daugherty. Another old friend, New Mexico Senator Albert Fall, became Harding's secretary of the interior.

But the Ohio Gang betrayed Harding's trust. Daugherty, for example, took bribes from suspects accused of crimes. The worst instance of corruption was the **Teapot Dome Scandal**, which began when Secretary of the Interior Fall persuaded Harding to give him control over national oil reserves in Elk Hills, California, and Teapot Dome, Wyoming. Fall then leased the oil reserves to two companies that had paid him \$360,000 in bribes. When the bribes became public, Fall resigned. But the scandal left the public wondering whether any other national properties had been offered up for sale.

Harding stood by his friends, saying, "If Albert Fall isn't an honest man, I am not fit to be president of the United States." In fact, Harding was not all that physically fit. While on a "bloviating" tour of the West, Harding suffered a heart attack in San Francisco. He died on August 2, 1923.

Calvin Coolidge Promotes Business On August 3, 1923, Vice President Calvin Coolidge took the oath of office in a Vermont farmhouse. Nicknamed "Silent Cal," Coolidge was a small man of few words. Americans saw in him the quiet virtues of small-town New England: integrity, hard work, and thriftiness.

Like Harding, Coolidge believed "the chief business of the American people is business." But for Coolidge, business was more than a way to make a living. It was a worthy calling. "The man who builds a factory builds a temple," he wrote. "And the man who works there worships there."

Coolidge coasted to an easy victory in the election of 1924. Working closely with Treasury Secretary Andrew Mellon, Coolidge worked to cut taxes and eliminate unnecessary spending. He pushed for reductions in corporate taxes, income taxes, and **inheritance taxes**—taxes on assets received from people who have died. Coolidge even cut his own White House budget, economizing in little ways, such as reducing the number of towels in the bathrooms.

Under Coolidge, the nation continued to prosper. Americans assumed he would run for reelection in 1928. But in August 1927, while on vacation, he shocked reporters by handing them a statement that simply said, "I do not choose to run for president in 1928." Silent Cal had spoken.

Herbert Hoover Promises to "End Poverty as We Know It" In 1928, the Republican Party turned to Herbert Hoover as its presidential nominee. Hoover was an American success story. Born in West Branch, Iowa, in 1874, he was orphaned at a young age. Despite this, he worked his way through college and became a very wealthy mining engineer. Hoover's success, along with his Quaker upbringing, inspired him to write a book titled *American Individualism*. In it, he wrote of his "abiding faith in the intelligence, the initiative, the character, the courage, and the divine touch in the individual."

At the age of 40, Hoover decided to leave engineering and devote his life to public service. During World War I, he headed President Woodrow Wilson's Food Administration. When the war ended, Hoover gained fame by setting up programs to feed the hungry in Europe. In 1921, President Harding made Hoover his secretary of commerce.

Like Harding and Coolidge, Hoover believed in promoting business. He encouraged what he called "associationalism." This involved bringing industry leaders together to improve economic efficiency. Hoover hoped that as businesses flourished, poverty would disappear. In accepting the Republican nomination for president in 1928, he said,

We in America today are nearer to the final triumph over poverty than ever before in the history of any land. The poor-house is vanishing from among us. We have not yet reached the goal, but given a chance to go forward with the policies of the last eight years, we shall soon with the help of God be in sight of the day when poverty will be banished from this nation.

—Herbert Hoover, speech accepting the Republican nomination, 1928



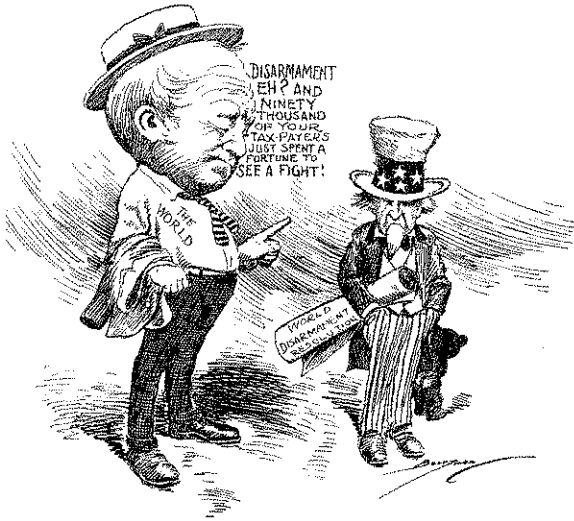
Calvin Coolidge was at his family's dairy farm in Vermont when President Harding died. His father administered the presidential oath, using a family Bible. Although Coolidge had a very different personality from Harding, his policies were similar. He easily won reelection in 1924.



Before running for president, Herbert Hoover directed the Food Administration. Hoover was an American success story. Orphaned at age 9, he became a millionaire by age 40. He then turned to public service. When Hoover became president in 1929, he pledged to end poverty in the United States.

27.3 Engaging the World in an Era of Isolationism

The horrors of World War I had left many Americans yearning for a withdrawal from international affairs, a policy that became known as **isolationism**. Isolationist attitudes had been strong in the Senate when it had voted down the Treaty of Versailles. At heart, however, Harding, Coolidge, and Hoover were not isolationists. They recognized that foreign trade connected American farmers and businesspeople to the rest of the world.



In 1921, the date of this cartoon, the United States, along with other nations, had agreed to reduce the number of weapons in and size of their military. This cartoon highlights the dispute between those who support and oppose disarmament. Here, a figure representing the world bitterly remarks to Uncle Sam that “ninety thousand of your tax-payers just spent a fortune to see a fight!”

Avoiding Involvement in Europe Isolationist feeling was strongest toward Europe. Although in his campaign, Harding had favored entry into the League of Nations, upon taking office, he declared, “We seek no part in directing the destinies of the Old World.” During his presidency, the State Department did not even open mail from the League.

American distrust of the League of Nations softened with time. The United States sent delegates to several League conferences in the 1920s. Presidents Harding and Coolidge also supported U.S. membership in an international court of justice known as the World Court. Established by the League in 1921, the World Court’s purpose was to settle international disputes before they turned into wars. By the time the Senate approved membership in 1926, it had attached so many reservations that the other member nations refused to approve U.S. membership.

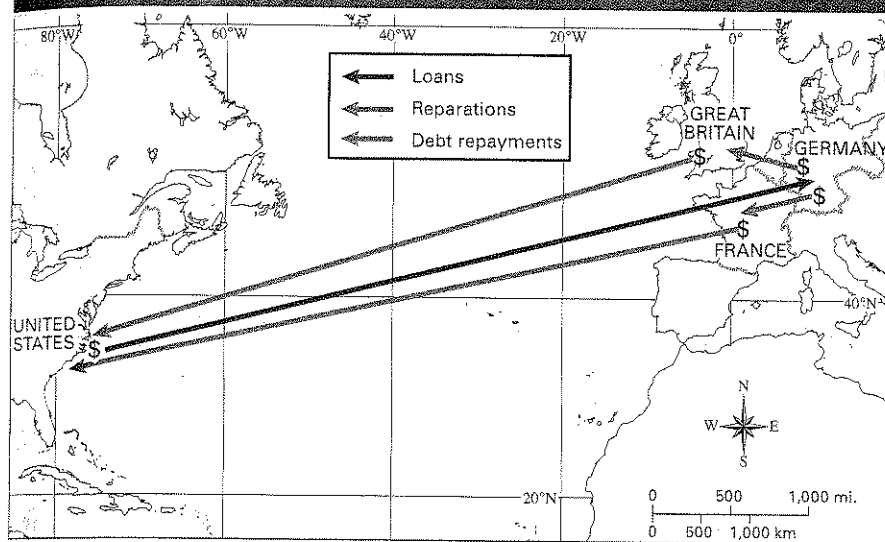
Promoting Peace Through Disarmament Although public opinion leaned toward isolationism, Americans also longed for world peace. President Harding responded by inviting representatives of Great Britain, France, Italy, and Japan to Washington to discuss naval **disarmament**, or weapons reduction. When the **Washington Naval Conference** opened in 1921, Secretary of State Charles Evan Hughes shocked the delegates by offering to scrap 30 U.S. warships. The other nations soon agreed to limit the size of their navies as well.

Supporters of the naval disarmament agreement hoped it would discourage future wars. Naysayers, however, feared that military ambitions would not be so easily contained. They were right. The Washington Naval Conference did limit the construction of large warships, but it did not affect smaller ships and submarines. Soon Japan, Great Britain, and the United States were adding cruisers and other small ships to their fleets.

Using Diplomacy to Outlaw War Efforts to negotiate an end to warfare peaked in 1928, when the United States signed the **Kellogg-Briand Pact**. This treaty began with an agreement between the United States and France to outlaw war between their countries. Eventually 62 nations signed the pact, which rejected war as “an instrument of national policy.”

Americans cheered the Kellogg-Briand Pact as an important step toward world peace. “It is a thing to rejoice over,” gushed the *Boston Herald*. More practical-minded realists sneered that this “international kiss” was not worth much, because it still permitted defensive wars. But the Senate approved the treaty by a vote of 85 to 1.

The Cycle of War Debts After World War I



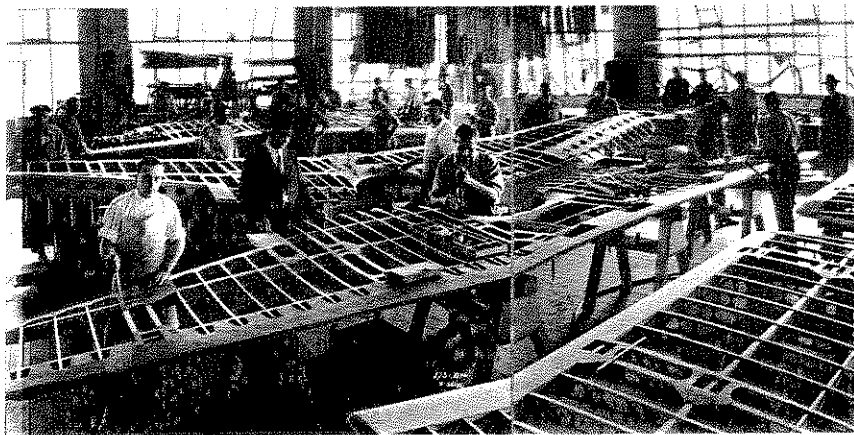
Europe's war debt threatened American prosperity. Charles Dawes developed a "circular loan" program to reduce the war debt. The United States loaned money to Germany, which used the money to pay back Great Britain and France. Great Britain and France then paid back the United States.

Settling Europe's War Debts In addition to worrying about the next war, the Republican presidents worked to clean up debts from the last one. At the end of World War I, Great Britain and France owed U.S. lenders \$11 billion. With their economies in shambles, these countries relied on reparations from Germany to make their loan payments. The German economy, however, was in even worse shape. By 1923, Germany had stopped making reparation payments.

Charles Dawes, a banker who had served as Harding's budget director, came up with a solution to the debt crisis. American banks would loan money to Germany. Germany would use that money to pay reparations to Great Britain and France. Great Britain and France would then repay what they owed American lenders. The circular flow of money in the **Dawes Plan** worked for a while. But it also increased the amount of money Germany owed the United States, an issue that would cause problems later.

Reducing Involvement in Latin America Isolationist sentiment also had an impact on U.S. policy toward Latin America. When Harding took office in 1921, U.S. troops were stationed in Nicaragua, the Dominican Republic, and Haiti. Harding and Coolidge both tried to reduce such entanglements. In 1921, Harding settled a long dispute with Colombia over the Panama Canal. Three years later, Coolidge withdrew troops from the Dominican Republic. Still, business ties and American investments continued to pull the United States into Latin American affairs. After withdrawing the marines from Nicaragua in 1925, Coolidge sent them back in 1927 to counter a revolution.

Hoover, however, embraced a policy of nonintervention. Immediately after his election in 1928, he embarked on a goodwill tour of Latin America. In 1930, he signaled his rejection of the Roosevelt Corollary by announcing that the United States did not have the right to intervene militarily in Latin America. Even when revolutions shook Panama, Cuba, and Honduras in 1931, Hoover did not send troops. "I have no desire," he said, "for representation of the American government abroad through our military forces."



After the debut of airplanes as weapons in World War I, Boeing Airplane Company began building them to deliver mail and transport passengers. In 1926, U.S. airlines carried only around 6,000 passengers. In 1930, the number soared to more than 400,000. Anticipating this growth, Congress passed the Air Commerce Act in 1926. The act called for the licensing of pilots and provided for a system of navigation aids across the country to make passenger service safer.

27.4 The Republican Boom Years

Under the economic policies of the Republican presidents, the post-World War I recession faded away. Businesses began to expand. Productivity increased dramatically. Unemployment dropped and wages rose to double what they had been before the war. By 1929, the United States was producing 40 percent of the world's manufactured goods. "Big business in America," reported muckraking journalist Lincoln Steffens, "is providing what the socialists held up as their goal—food, shelter, clothing for all."

Henry Ford Pioneers a New Age of Mass Production The automobile industry led this new age of productivity. In 1910, U.S. automakers built fewer than 200,000 cars a year at prices that only the wealthy could afford. By 1929, at least half of all American families owned a car. The credit for this transformation of the car from luxury item to consumer good goes to Detroit automaker Henry Ford.

Ford's goal was to mass-produce cars in order to lower their prices. "The public should always be wondering how it is possible to give so much for the money," he wrote. He accomplished his goal by designing a revolutionary moving assembly line that cut production time from 14 to six hours. He then could cut the price of his cars from \$950 in 1908 to under \$290 in 1926.

When he unveiled his assembly line in 1914, Ford made a stunning announcement. He was more than doubling his workers' pay from the \$2.40 per nine-hour day common in his industry to \$5.00 per eight-hour day. The public loved him for it. Business leaders hated him, saying that he was ruining the labor market. Looking back, historian Frederick Lewis Allen observed,

What Ford had actually done—in his manufacturing techniques, his deliberate price cutting, and his deliberate wage raising—was to demonstrate . . . one of the great principles of modern industrialism . . . This is the principle that the more goods you produce, the less it costs to produce them; and the more people are well off, the more they can buy, thus making this lavish and economical production possible.

—Frederick Lewis Allen, *The Big Change*, 1952

Ford sold so many cars that by the mid-1920s his Detroit, Michigan, factory complex had 19 buildings covering 2 square miles. A new car rolled off his assembly lines every 10 seconds. By 1930, Ford had produced 20 million cars.

Innovations Give Birth to New Industries The automobile industry's rapid expansion fueled growth in other industries, such as steel, rubber, and oil. Highway construction boomed. Restaurants and hotels sprang up along new roads to meet the needs of motorists. The popularity of cars also created new service industries, such as gas stations and repair shops. By the mid-1920s, one of every eight American workers had a job related to the auto industry.

The airplane industry also boomed. During World War I, airplanes had become weapons. In 1927, the Boeing Airplane Company won the U.S. Post Office contract to fly mail and passengers from Chicago to San Francisco and back. By 1930, there were 38 domestic and five international airlines operating in the United States. The airplane had been transformed from novelty to vehicle.

A "plastics craze" also changed American life in the 1920s. Synthetic fibers like rayon revolutionized the clothing industry. See-through cellophane became the first fully flexible, waterproof wrapping material. Bakelite, the first plastic that would not burn, boil, melt, or dissolve in any common solvent, was vital to the production of radios. Radio had first been used for wireless communication among ships at sea. By 1920, radio stations had sprouted up in many U.S. cities. Radio production soared as a result. By 1929, radios were a big business, with Americans spending \$850 million on sets and parts that year alone.

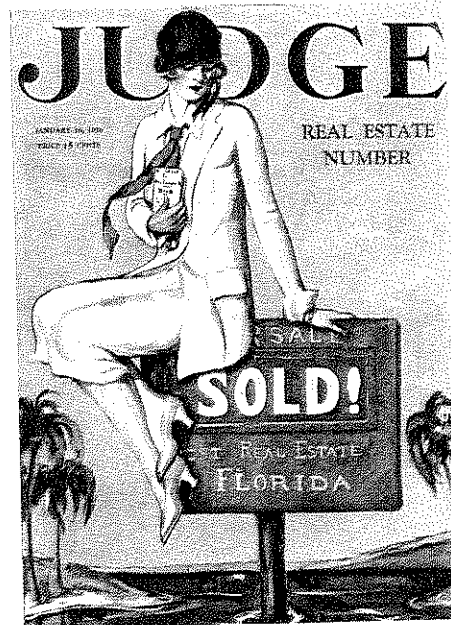
Big Businesses Get Even Bigger Businesses were not only prospering but also getting bigger due to a wave of **consolidation**. Consolidation is the merging, or combining, of two businesses. During the Progressive Era, antitrust laws had slowed business consolidation. Harding, Coolidge, and Hoover, in contrast, chose to ignore antitrust laws. The Republican presidents defended consolidation on the grounds that it made the economy more efficient.

Consolidation came early to the automobile industry. Before 1910, there were hundreds of companies building cars in the United States. By 1929, three automakers—Ford, General Motors, and Chrysler—built almost 90 percent of the cars on the market. General Motors was the brainchild of an entrepreneur named William Durant. Unlike Ford, who made just one car model, Durant offered several models at different price levels. By the end of the decade, General Motors had become the nation's leading automaker.

The story was similar in other industries. In the 1920s, a handful of **holding companies** bought up nearly 5,000 small utility companies. A holding company is a corporation that owns or controls other companies by buying up their stock. By 1929, about two thirds of American homes were wired for electricity, and consolidation led to a decline in the cost of electricity.

Consolidation also revolutionized the grocery business, as the Great Atlantic and Pacific Tea Company (A&P) launched the first grocery store chain. Mom-and-pop grocery shops were driven out of business as A&P's chain grew from fewer than 5,000 stores in 1920 to more than 15,000 by 1929. Not everyone viewed this triumph of big business as positive. An anti-chain store movement swept through a number of states and cities.

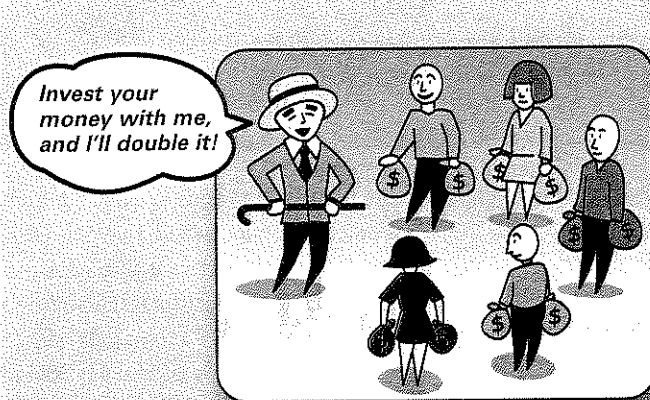
Speculators Aim to Get Rich Quick As the good times rolled on, some Americans got caught up in get-rich-quick schemes, such as Ponzi Scheme and the **Florida Land Boom**. In this Florida scheme, shady real estate developers sold lots along the Florida coast to eager **speculators** in other parts of the country. A speculator is someone who takes the risk of buying something in the hope of selling it for a higher price later. As long as prices were going up, no one cared that some of the lots were under water. Prices collapsed, however, after a hurricane devastated the Florida coast. Many speculators were left with nothing but near-worthless land.



During the Republican Era, ordinary Americans put money in get-rich-quick schemes, like the Florida Land Boom. Speculators bought land without seeing it in hopes of making a quick profit. Many learned later that the land they owned was under water or hard to build on, making it worthless.

How Does a Ponzi Scheme Work?

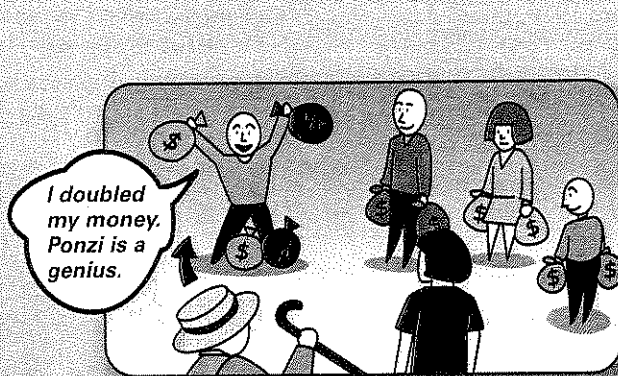
Charles Ponzi, an Italian immigrant, came up with one of the get-rich-quick schemes of the time. Ponzi advertised that he had a surefire way to double investors' money in just 90 days. He paid off a few early investors to make the scheme look legitimate. New investors, lured in by the success of others, poured money into the scheme. Eventually, Ponzi was taking in close to a million dollars a month. Unfortunately for Ponzi and his investors, a newspaper revealed that he was a fraud. By then, thousands of people had lost an estimated \$10 million. Here is how his scheme worked.



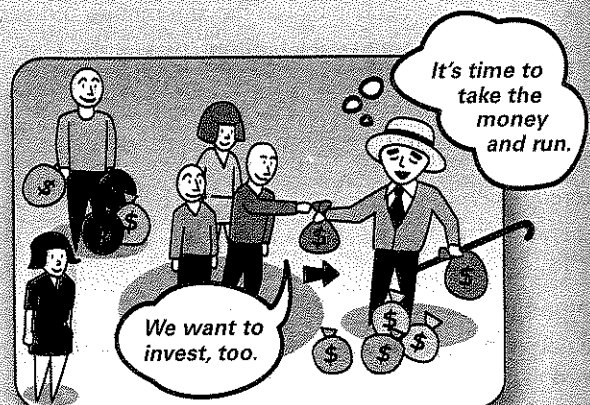
1. Ponzi makes his pitch.



2. Some people invest.



3. Ponzi uses their money to reward early investors.



4. Seeing early investors double their money makes others eager to invest.

Others saw the stock market as the road to riches. In the past, only wealthy people had owned stock. During the 1920s, stock ownership had spread to the middle class. John Raskob, a General Motors executive, encouraged stock buying in a *Ladies' Home Journal* article titled "Everybody Ought to Be Rich." Raskob told his readers that if they invested a mere \$15 a month in the stock market, they could expect a massive payoff of \$80,000 in 20 years.

Many Americans took his advice. Housewives invested their pocket money in stocks. Barbers, cab drivers, and elevator operators bought stocks on "hot tips" they had overheard while working. As money poured into the market, stock prices soared. The **Dow Jones Industrial Average**, a measure of stock prices still used today, doubled between May 1928 and September 1929.

Left Out of the Boom: Enduring Poverty Between 1921 and 1929, the **gross national product (GNP)** of the United States rose by 40 percent. The GNP is a measure of the total value of goods and services produced within a country in a year. However, not all Americans shared in the prosperity. In 1929, a family of four needed \$2,500 a year to live decently. More than half the families filing tax returns that year earned \$1,500 or less.

The 1920s were hard times for farmers, many of whom were deeply in debt after the war. Surplus crops also caused farm prices to collapse. Hard times for farmers meant even harder times for farmworkers. Mexican, Mexican American, Asian, and Asian American workers earned the lowest wages and endured the worst working and living conditions.

Unskilled workers also fared poorly in the 1920s. Workers in old industries struggled to stay employed. Coal miners were laid off by the thousands as gasoline, natural gas, and electricity became more popular sources of energy. The textile industry faced heavy competition from new synthetic fabrics. Among the hardest hit were African Americans, who were often the last to be hired and the first to be fired. They were usually paid less than their white counterparts and were also barred from most unions.

Summary

The election of 1920 launched a decade-long Republican Era in national politics. During that time, three Republican presidents—Warren G. Harding, Calvin Coolidge, and Herbert Hoover—worked to return the nation to “normalcy,” or peace and prosperity.

Isolationism After World War I, many Americans favored a policy of isolationism, or withdrawal from international affairs.

Free enterprise system The Republican presidents supported individual enterprise and the free enterprise system by adopting business-friendly fiscal policies. The government cut taxes and spending.

Teapot Dome Scandal The Harding administration was marred by corruption. Harding's distress over the Teapot Dome Scandal contributed to his declining health. He died in office in 1923.

Washington Naval Conference The Republican presidents turned to diplomacy to prevent another world war. The Washington Naval Conference attempted to reduce military competition by limiting the size of the world's most powerful navies.

Kellogg-Briand Pact Sixty-two nations signed this treaty, in which they agreed to outlaw war.

Dawes Plan The United States set up the Dawes Plan to help European nations pay their war debts to American lenders.

Dow Jones Industrial Average Americans hoping to “get rich quick” engaged in speculation in land and stocks. The Dow Jones Industrial Average rose as money flowed into the stock market.

Economic boom The economy prospered as businesses boomed. Business consolidation led to the domination of most major industries by just a few companies. However, poverty persisted, and many farmers and workers were left out of the boom.