The Strange Presidency of Warren G. Harding

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Who is the worst president in U.S. history? The answer is Warren G. Harding if you believe most presidential polls. For example, in the prestigious Arthur Schlesinger poll, conducted in 1948, 1962, and 1996, the participating historians ranked Harding each time as the worst U.S. president ever.

Should we trust the judgment of these historians? No, we should not. Actually, Harding was often a successful president, and his actions helped trigger a decade of prosperity for America.

Harding was a newspaper editor from Marion, Ohio, who was elected U.S. senator in 1914. He won the Republican presidential nomination in 1920 and went on to a landslide victory over the James Cox-Franklin Roosevelt Democratic ticket in November. His biggest issue was the economy, which was suffering from World War I and its aftermath. The soldiers came home in 1918 and 1919 and faced an 11.7 percent unemployment rate in 1920.

Some politicians recommended that Harding enact a kind of stimulus package and put soldiers to work building roads for the rapidly growing numbers of cars being driven. Harding rejected that approach for a two-fold strategy of cutting federal spending and cutting tax rates. Before his death in 1923, Harding's program was showing signs of success. From 1920 to 1923 the federal budget was cut in half from $6.4 billion to $3.1 billion. The top tax rate was sliced during these years from 73 percent to 56 percent, and, when Harding died in 1923, his vice president, Calvin Coolidge, cut that rate further to 25 percent.

Some might scratch their heads at the notion that less government creates more jobs, but that is exactly what happened under Harding. By the year Harding died unemployment had plummeted from 11.7 percent to 2.4 percent. Entrepreneurs were responding to Harding's refreshing idea that they should get more and the taxman less—radios, air conditioners, zippers, talking movies, and even sliced bread became popular during the 1920s. Coolidge continued Harding's policies, and the United States increased its industrial dominance throughout the world. Most historians have a worldview that more government is good, and therefore Harding's move to more free enterprise was actually a backward step for the nation. In Arthur Schlesinger, Jr.'s coauthored textbook, *The National Experience*, he makes this point. "Foremost among Harding's advisers," Schlesinger wrote, "was Secretary of the Treasury Andrew Mellon. . . . The only business principle he considered relevant to government was economy. With small regard for the services that only government could furnish the nation, Mellon worked unceasingly to reduce federal expenditures. . . ." Thus Harding's was a failed presidency.

Historians also make a second criticism—that Harding's administration was corrupt. Robert K. Murray, who has written two books on Harding, begins *The Politics of Normalcy* by noting "[t]he Harding administration . . . [was] riddled with government scandals."

That second criticism has merit. Character in a president is important. As George Washington insisted, "[M]orality is a necessary spring of popular government." Integrity among leaders is vital to a free society. Harding's two major scandals—at the Veterans' Bureau and in the Department of Interior—both reflect poorly on his choice of administrators and on his supervision of their actions.

Let's look at these scandals in more detail. The first thing we see is that they were triggered not by greed on Wall Street, or by corruption in the private sector, but by the growth of the federal government.

The Veterans' Bureau, for example, was created in 1921 as a perk for wounded soldiers. During the war politicians chose not to pay soldiers the full value of their service, which might have included insurance policies. Instead Congress chose to give free medical care to wounded soldiers through a Veterans' Bureau. Doing that masked the costs of war by spreading them (and pension costs) out over the entire twentieth century.

In market situations entrepreneurs who build a hospital, or a chain of hospitals, have to be competitive in price and service. They try to buy land, construction materials, and hospital supplies cheaply to compete with existing hospitals. Any builder who fails to do that loses money and risks going bankrupt. But when government provides a service, these same incentives for economy are often absent.

Harding appointed Charles Forbes, a political friend with experience in construction, as the first head of the Veterans' Bureau. Forbes was in charge of building and supplying dozens of new hospitals for veterans in major cities throughout the country. With government picking up the tab Forbes accepted high noncompetitive bids from two construction companies, which kicked back to Forbes some of their profits from building the hospitals. Forbes also made money by personally buying cheap land in different cities and then selling that land at jacked-up prices as sites for the new hospitals. He made further profits through a middleman by buying and selling supplies—sheets, towels, and gauze, for example—for the new hospitals. Neither Congress nor Harding gave much scrutiny to Forbes because they had not funded the Veterans' Bureau from their own money, but rather from the taxpayers' money. When Forbes's chicanery came to light Harding fired him, and Forbes spent two years in prison—but not before hundreds of millions of dollars had been added to the national debt. Even if Congress had simply given medical cards to veterans for use at existing hospitals, the costs would have dropped sharply.

Harding's second scandal, the Teapot Dome affair, also occurred because the federal government inserted itself in economic matters usually left to free markets. Land in the Midwest, for example, was sold or given to farmers by various federal land acts. In the West, however, Congress decided to keep under federal control valuable oil land in Elk Hills, California, and Teapot Dome, Wyoming, rather than sell it to oil companies at auction. Albert Fall, Harding's secretary of the interior, decided to lease some of the federal oil land in noncompetitive bids to Edward Doheny (at Elk Hills) and Harry Sinclair (at Teapot Dome).

Congress decided to investigate these strange leases and discovered that a suddenly rich Albert Fall had received a $100,000 "loan" from Edward Doheny and "an undetermined number of Liberty bonds from Sinclair." At trial Fall did not provide illumination; instead he testified, "I decline . . . to answer any questions on the ground[s] that it may tend to incriminate me." As a result Fall went to jail for a year and was slapped with a $100,000 fine.

How then should we assess Harding's presidency—which launched an economic boom but which also saw two major scandals? We can say Harding was successful when he slashed the role of government through cuts in federal spending and in tax rates. And we can say he failed when he expanded the role of government by creating a Veterans' Bureau and by maintaining federal control of western oil lands. Harding is an underrated president because he is being ranked by those who overrate the capabilities of the federal government.