

The Lost Language of Liberalism
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Americans treat their presidents like sports stars. The heroes are idolized, and we have a few: Abraham Lincoln, Washington, Kennedy, Roosevelt, Reagan. The fans of these presidents will attack indiscriminately any suggestion that their hero may feature flaws. Then there are presidents who are stuck in the low ranks, who never get to start. They are ignored. One of them is the one I'd like to take up now. He was America's thirtieth president, Calvin Coolidge.

Coolidge was a New Englander, a Vermonter, a vice president who became president in August, 1923, when President Warren Harding died. Coolidge stayed in the White House, winning his own election, in 1924, and through a second term, until 1929, when Hoover came in, and we had our stock market crash. If you read history you mostly take away that Coolidge was a laconic, unremarkable man, a former governor of Massachusetts who kept the chair in the White House warm until the real president, Roosevelt, came. But most Americans don't know much beyond that except the jokes about Silent Cal, as he has been called. Most of those jokes were about his taciturn demeanor.

There is a favorite story of him as a New Englander at a dinner party. A lady next to him bet that she could get him to say three words. At the end he said, "you lose." Other jokes are more hostile. Commenting on his appearance, Alice Roosevelt Longworth, for example, said "he looked as though he had been weaned on a pickle."

Along with the jokes there is commentary, which has been yet nastier and was so from the outset. New presidents usually get a polite greeting, at least at first. Not Calvin. Here is what Oswald Garrison Villard, the editor of the *Nation* magazine, wrote about Coolidge to welcome him into office in the summer of 1923: "And now the presidency sinks low indeed. We doubt if ever before it has fallen into the hands of a man so cold, so narrow, so reactionary, so uninspiring, so unenlightened, or one who has done less to earn it, than Calvin Coolidge." And this hostility continued and mounted after Coolidge died, down the decades until we got the caricature we have today.

Why even rehearse all this? First of all, because the criticisms were and are inaccurate. Coolidge did talk plenty; there are more than a thousand pages of him chatting in his off the record press conferences. Second, when Coolidge was silent, and that was often, there was a productivity to his silences.

Thirdly—and this is most germane to our topic today—we know that when people are *that* nasty there is usually a force behind the nastiness that goes beyond the two people involved. In this case that force was envy. First it was prospective envy: the

Progressives knew Coolidge would serve well. Then it was regular envy, of something in the process of being achieved. Coolidge's record was *too good*, both as governor and vice president and then as president, from 1923 to 1929. He was too popular to bear. In the 1924 presidential election, there were three parties, significant ones: Democrats, Progressives, who got 16.6 percent, and Coolidge's Republicans. Coolidge won by a majority, not a plurality. He made everyone else look bad.

How did his opponents contrive to end that? They shut him out of history by trivializing him and by labeling him as silent. After all, if someone can be described as uncommunicative, as dumb, then what he is actually saying can be ignored.

It might be worthwhile at this point therefore to sketch out three things. The first is why Coolidge's presidency elicited envy. The second is the thinking behind the forgetting of Coolidge policy and what it has to do with our topic today, liberalism. The third is how the elision, the silencing of something important, was accomplished, and the relevance that might have for today.

In the 1920s there were some areas of trouble in the U.S. economy. One was farming, where average income was almost always below the 1920 level. Foreclosures on farms rose throughout the decade. Another was banks, which failed all the time. The stock market went too high in the last few years. The emphasis on the last years is important; the stock market's euphoric increase of more than ninety percent in a bit over a year (the DJIA went from 200 to 381) happened after the summer of 1928, when Coolidge was beginning to exit and was thus not on the watch.

The rest of the story, though, is all positives.

Gross Domestic Product grew at a nominal average of 3.43% in the 1920s years. But wait: that level was actually 3.58% because they were deflating. The average real growth for Coolidge's time, 1923-1929, was 4.82 percent. This is better growth than the decade of another conservative, Ronald Reagan. This is much higher than the average annual real growth in our whole modern era, 1947-2002, which has been only 3.44 percent.¹

This 1920s growth was not all happening at the Great Gatsby level. It was happening to regular people. People got Model Ts, and radios, and refrigerators, and vacuum cleaners. They got their houses wired. In 1923, twenty percent of households had telephones; by 1929, that figure was forty percent. Also, by then some 70 percent of manufacturing used electricity, up from 30 percent before our entry into World War I.²

¹Figures found using the data in Table Ca9-19 of *Historical Statistics of the United States*, Millennial Edition On Line. According to the data from the U.S. Bureau of Economic Analysis, the average real GDP growth rate from 1947 to 2000 was 3.49% (only 3.21% from 1947-2009), and the average nominal GDP growth rate from 1947 to 2000 was 7.34%. According to the data in Table Ca9-19 in *Historical Statistics of the United States*, Millennial Edition On Line, the average real GDP growth rate from 1947 to 2000 was 3.44%, and the average nominal GDP growth rate from 1947 to 2000 was 7.31%.

²Smiley, Gene. "US Economy in the 1920s". EH.Net Encyclopedia, edited by Robert Whaples. March 26, 2008.

The productivity gains at factories in the 1920s gave another gift – shorter hours. At the beginning of the 1920s, firms were just starting to cut the average week from 50 hours to 40 or 45. Suddenly people found themselves working five days. And they seemed to like it. In 1922 the New York Times reported that “nearly all employees used the free Saturday, for study or recreation, and that very few sought other kinds of paying work.”³ How could you not like Coolidge? He helped give Americans their Saturday.

Pay kept up. Between 1923 and 1929, Coolidge’s years, the average real wage weekly for the unskilled worker rose from \$22.37 to \$24.40. The average wage for both skilled and unskilled workers taken together rose from \$30.93 to \$32.60. In the 1920s union membership actually went down. That was in part because people did not see a *need* for unions.

Today we’re often compelled by others to judge eras by their distribution tables, especially tax distribution tables that chart who pays what share of the income tax. Progressives want the rich to pay more, and that happened in the 1920s. Here Coolidge scores well. In 1920, before Coolidge, bottom earners didn’t pay the income tax. But those just above, earning \$3000 to \$5000 a year, paid a full fifteen percent in 1920, while those at the top, millionaires earning above 500,000, paid 4.25%. But by 1929 that had reversed. The taxpayers at the bottom of the system paid .44 percent of the taxes and those in that 500,000 to a million class paid 10.6 percent. Those who had income over a million a year paid 19 percent of the taxes.

Next we can consider the business cycle and unemployment. Harding and Coolidge had recessions. In fact by some measures there were three recessions in the 1920s before 1929. But employment bounced right back. In the six years of the Coolidge presidency, unemployment averaged above five percent for only one year.⁴ Other sorrows also diminished. The 1920s saw a sharp drop in infant mortality.

All this was achieved even as the federal government was becoming a smaller share of the economy. The federal government moved down from 4.35 percent of GDP in 1923 to 3.68 percent in 1929.⁵ At the same time, Washington was running a surplus every year.

A final feature that may interest economists. We often cite the 1970s as negative evidence of the validity of the Phillips Curve. The Curve says you have to pick your poison, inflation or unemployment. The 1970s had both. The 1920s are an inverse, a kind of happy twin to that. For the 1920s had low unemployment and, at times, deflation.

³ “Ford’s Five Day week not New” *New York Times*, April 29 1922.

⁴ Gene Smiley. "US Economy in the 1920s". EH.Net Encyclopedia, edited by Robert Whaples. March 26, 2008, figure 5.

USGovernmentSpending.Com.

In other words the 1920s is not a pretty good decade. It is a stupendous decade. And what's especially interesting is how Coolidge did his part in making that decade. The short answer is: pursue classical liberal policy.

Coolidge was not a pure liberal. He belonged to a party that advocated tariffs. He defended a tight immigration law. He sometimes described himself as a conservative. Our own liberal friends criticize his Fed and Treasury money policy as inflationary.. Still, while Coolidge may not have been a purebred, he cherished the most basic liberal tenets of freedom for the individual and property rights. And there was one area where he was as good a liberal as any philosopher. That was as a liberal practitioner. That is, for those five and half years he governed, he successfully blocked progressive incursions. Think of him as the Dutch boy with the finger in the dike.

This work started with the energy he poured into keeping a stable environment for the economy and the individual. In those days they understood the damage of uncertainty. Warren Harding, Coolidge's predecessor, specifically combated uncertainty by calling for "normalcy," getting back to the average humdrum after World War I. Harding said in his inaugural address in 1920 that "any wild experiment will only add to the confusion. Our best assurance lies in the efficient administration of our proven system." When Harding died, Coolidge instantly put his shoulder to the wheel of sustaining normalcy.

An example from the first hours of the Coolidge presidency: Harding's administration had been tainted with scandal. Yet Coolidge basically kept the cabinet on, not because he loved all the cabinet members so much. He didn't like Commerce Secretary Herbert Hoover, who he called him "wonder boy." He kept Harding's cabinet because he knew continuity was so important. Keep things normal.

Coolidge believed and taught that government had to stay out of the way for the private sector to grow. He interpreted that as meaning Washington had to keep the budget under control. Coolidge did that, and in a fashion that puts subsequent Republicans to shame. In fact the credit here starts with Wilson and Harding, who took the federal budget down each year from 6.4 billion in 1920 to \$3.1 billion in 1923.⁶ Coolidge's feat though was to cut yet again over those five years where he was steward. And again, the hard work is evidence. In 1929, the year he left the presidency, federal spending was actually lower in dollars than in 1923.⁷

The next thing Coolidge did was to loudly affirm the importance of that private sector. There is a line from Coolidge that is in fact remembered, albeit also by the mockers: "the business of America is business."

Then he set about keeping the government out of the private sector's way, which is never easy. The utilities industry was the equivalent of the internet today – the most promising industry. Naturally it was coveted by government. There was a large effort to

⁶ Table Ea584-587 of Historical Statistics of the United States, Millennial On Line Edition.

⁷ Ibid.

involve the federal government in the production of electricity through the expansion of a government dam, the Wilson Dam at Muscle Shoals. Coolidge vetoed it.

There were other useful vetoes. For a veterans bonus, for farm subsidy. This last veto was notable because Coolidge was the son of a farmer, in Vermont. Coolidge talked progressive from time to time about labor price, but on his watch there was no big union legislation.

We all know it doesn't suffice to point out that progressive legislation is bad. You have to know how to squelch it. And here is where that practitioner part was crucial. Coolidge drew on his experience as vice president and decades in Massachusetts politics. As president he made a practice of utilizing a device known as the pocket veto, by which the president can kill legislation passed by both houses by 'pocketing it,' keeping it unsigned, past the beginning of the Congressional recess. Interestingly Coolidge also managed the budget himself, personally, and struck out spending routinely.

Coolidge's mastery in using process to achieve a philosophical end is well known thanks to one relatively friendly journalist, Walter Lippmann. Lippmann got the president's modus operandi down so well that he's worth reading from. "The White House is extremely sensitive to the first symptoms of any desire on the part of Congress or of the executive departments to do something," wrote Lippmann.

"The skill with which Mr. Coolidge applies a wet blanket is technically marvelous...There has never been Mr. Coolidge's equal in the art of deflating interest. The naive statesman...imagines that it is desirable to interest the people in their government...that indignation at evil is useful..."

Mr. Coolidge is more sophisticated. He has discovered the value of diverting attention from the government and with an exquisite subtlety that amounts to genius, he has used dullness and boredom as political devices. I do not know whether Mr. Coolidge was born with this gift or whether he developed it by necessity. In the absence of certain other political gifts."⁸

The pop quiz of Coolidge's liberal convictions came with the Katrina of his era, the 1927 flood of the Mississippi. That was a dramatic flood. Walls of water more than twenty feet high. Hundreds of thousands displaced. Coolidge confronted the same question President Bush would later confront. The choice to react as a military leader would, and run down as commander in chief, or to pause and respect federalism. Coolidge did the latter. He did not see it as the role of Washington to lead the rescue. Private philanthropy should take the lead. The government's job was secondary, to help the Red Cross do the work, maybe by coordination, maybe with supplemental funds.

Interestingly, Coolidge actually took time to make his philosophy about disasters explicit.⁹ On April 1927 he issued a proclamation. He even put it on RED CROSS STATIONERY, partly because he probably thought it was wrong to use presidential

⁸ Walter Lippman, "Calvin Coolidge: Puritanism De Luxe," in *Men of Destiny* (New Brunswick, NJ: Transaction Publishers, 2003), 13-14.

⁹ This article was published by the Congressional Research Service under the title, "Disaster Response and Appointment of a Recovery Czar: The Executive Branch's Response to the Flood of 1927."

stationery. He proclaimed: “The Government is giving such aid as lies within its powers But the burden of caring for the homeless rests upon the agency designated by Government charter to provide relief in disaster — the American National Red Cross.”

Related to this was another determinant of the growth in the 1920s, tax policy. Remember the outcome: more rich paying more taxes, and more tax revenues, and strong growth. To get there, however, required again, an enormous legislative effort. In this area Coolidge had a liberal ally, also mocked, the Treasury Secretary, Andrew Mellon. Mellon was the cabinet member Coolidge did like, perhaps because they were both taciturn and chose their words carefully. People joked about their silence, too. People said that Mellon and Coolidge conversed in pauses.

The pair set a dramatic goal: to reduce the tax burden on individual enterprise and to curtail the tax breaks that diverted capital to less productive areas. The top marginal rate of the income tax was seventy seven percent when the war ended. Presidents Wilson and Harding cut that top rate to 73 percent and then 58 percent. Many considered that sufficient. Then Coolidge came into office. Coolidge and Mellon pushed that rate down again, to 46% and then 25% in 1925. Their reforms were cuts across the board, so that the bottom rates on the schedule also came down, from six or four percent, to two percent. That 25% is not a level we have seen since. It went back up into the sixty percent range after the Depression began.

A few details about this Coolidge-Mellon rate-cutting campaign that are worth recalling. Mellon really actively disliked malinvestment as he defined it. Municipal bonds he rightly saw as less productive than investment in companies. And after the war, due to that top rate of 77 percent, large amounts of money was flowing into municipal bonds, which enjoy protection from federal taxes. Mellon wanted to revoke that status so that municipal bonds would no longer be free of tax and in 1921 proposed a constitutional amendment to this effect. He failed. But Mellon, with Coolidge’s backing, achieved his goal of removing the charm of those municipal bonds another, by reducing their relative attractiveness through the tax reductions.

That this method worked is evidenced in the spread between high grade municipal bonds and AAA corporate bonds. The difference in the yield of these two kinds of bond in 1920 was 125 basis points, more than one percent. That spread narrowed as the tax rates came down to .4 or so around 1929.

Second detail: they worked hard to get those tax cuts through. Mellon propagandized through a book: *Taxation, the People’s Business*. Coolidge stumped like Art Laffer. Here’s an example a typical pragmatic speech from a February 1924:

“If we had a tax whereby on the first working day the government took five percent, the second day ten percent, the third day thirty, the fourth day forty, the fifth day fifty, the sixth day sixty,

how many of you would continue to work on the last days of the week? It is the same with capital.”¹⁰

But there was yet another force driving the tax campaign, a force that makes this pair different from the supply-siders. Coolidge and Mellon both believed that low taxes were a good idea for reasons beyond utility or maximizing incentives on a graphed curve. They believed low rates were morally better. Coolidge’s statement at the time was: “The collection of any taxes which are not absolutely required...is only a species of legalized larceny.”¹¹ In other words, Coolidge did not merely cut taxes because it was efficient. He did so because it was right.

A final feature of the Coolidge method was his humility. First, it was humility towards his office. Coolidge not only had the ability to delegate, he believed he ought to, out of respect for the structure of the executive branch. Coolidge generally didn’t run the Treasury policy; Mellon did. Coolidge didn’t run foreign policy. He relied on the Department of State, or his friend Dwight Morrow. When the time came to run for a second elected term, the 1928 contest, Coolidge declined with an admonition that could have been written by Lord Acton: “It is difficult for men in high office to avoid the malady of self delusion. They are always surrounded by worshipers. They are constantly assured of their own greatness.” He concluded: “the chances of having wise and faithful public service are increased by a change in the presidential office after a moderate length of time.”

Second Coolidge practiced humility towards other men. He respected the contract. He cared much about the man and man part, about mutual respect, which is why his civility will be such a big topic at this meeting today. The *Nation* magazine might attack him, but it is hard to find in all Coolidge’s work an ad hominem attack on anyone.

The president also showed humility before his God. He believed that there were some areas where the spiritual, or God, had authority that should not be assailed.

Teachers and documentaries often repeat that Coolidge quote I mentioned before, the “business of America is business.” But they are giving an incomplete picture. Coolidge didn’t just say “the business of America is business.” He said, right after that, “The ideal of America is idealism.”

Coolidge repeatedly made clear that there were realms where government and positive law could not go, a sentiment he expressed in his remarks at the naming of a statue of Bishop Francis Asbury in October, 1924. Coolidge said, “the government of a country never gets ahead of the religion of a country. There is no way by which we can substitute the authority of law for the virtue of man.”

¹⁰ “Federal Personal Income Tax Policy in the 1920s,” *Journal of Economic History*, Vol 55, No.2, Gene Smiley and Richard H. Keene. They are citing: “These rate differences were calculated from data in Board of Governors of the Federal Reserve System, *Banking and Monetary Statistics*, table 128, p. 468.”

¹¹ Joe Thorndike on TaxHistory.org:

<http://www.taxhistory.org/thp/readings.nsf/ArtWeb/2BC3003C51466BEC8525754200492187?OpenDocument>

There you have it. Coolidge didn't call himself liberal; when he used the word he meant "generous," as in, "liberal wages." But in the areas of his expertise, administration, preserving legal freedom, rule of law, property Coolidge's policies were exquisitely pro-liberty.

Our topic today is the lost language of liberalism.

Coolidge *spoke* the lost language of liberalism. He spoke it well, and demonstrated through hard work that, as a philosophy, economic liberalism worked. And that is another reason why his opponents wanted to silence him. If someone is said not to be communicating, you do not have to take into account what he is saying. You can ignore him.

Progressives wanted to ensure that that name, liberalism, which was, at the time, still associated with Republicans too, would in future not belong to Republicans but only to progressives. They wanted to snatch the label of liberalism and give it a different meaning, while at the same time discrediting the source. You can hear it explicitly in the words of that *Nation* magazine commentary that came just after the nasty lines I read before. Villard continues his complaining about Coolidge's ascent to the presidency. "Every reactionary may today rejoice; in Calvin Coolidge he realizes his ideal, and every liberal may be correspondingly downcast."

Still, this brings us to the final question: If Coolidge and the 1920s were a success, and the 1920s did roar, how could history manage to drown out that roar so well?

One reason is the Great Depression. Here is the schoolbook logic. If the Great Depression was exceptionally great, great enough to be a decade, and it was, then the error that caused the Great Depression had to be a commensurately great, and covering a whole decade. The 1920s are condemned, they are characterized as unreal and Gatsby-ish. They are trivialized as a footnote in history. So their presidents must be trivialized as well. Progressives need to prove that the progressive philosophies worked. Therefore, a non-progressive decade must be trashed.

Secondly, the 1920s could be obscured because of what I described at the very beginning, this view of presidents as sports stars, ball players, and fan loyalty. Here's the logic. It is tortured, but real. In our American pantheon, Roosevelt is not just a star, he is a superstar. Especially because many of us believe he saved the world during World War II. His poor economic record in the 1930s threatens his star status. To make that record look more reasonable, you have to make the 1920s look bad, and Coolidge with them. So Coolidge is trashed, and so is Harding – another lecture – to elevate FDR.

Thirdly, Coolidge and the 1920s are forgotten because we no longer speak the lost language of liberalism. We speak Keynesian or related languages. And Keynesian lacks the vocabulary to describe what happened in the 1920s. A recession where budget cuts and increases in the discount rate did not halt recovery? Can't happen. A decade that disproves the Phillips Curve? Let us not talk about it. A time when without unions, wages

rose so well? Again, probably safer not to discuss. A period with so much emphasis on supply and so little on demand? Must have been fake. Because of all these inconvenient truths, our histories, our social science, obscures the strengths of the 1920s. As Jerry Jordan has suggested, a similar dynamic may be occurring in the case of the 1990s. The virtues of the decade are forgotten as part of the price we pay for the current economic crisis.

However when it comes to policy, the 1990s lost out to the 1920s. So the forgetting of the 1920s is a quiet tragedy. For the budget cutting, the tax cutting, and the gold standard are worth revisiting in the context of the current trouble. The tax story is especially relevant now. Coolidge's personal story is also worth retelling to hearten economic liberals of all variety. It's important to remember that liberalism didn't get lost out in the United States because it failed as an economic philosophy. It lost out because it succeeded too well.

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