



Makin' Whoopee

*Let me tell you about the very rich.
They are different from you and me.*
F. Scott Fitzgerald, *The Rich Boy*, 1926

ANDREW MELLON—ONE OF THE richest men in America—was appointed Treasury Secretary in 1921 by newly-elected president Warren G. Harding. During his tenure, Mellon would engineer huge tax cuts for the rich, saving himself and business cronies millions of dollars.

By 1920, the wartime economic boom had collapsed and the nation was in the midst of a deep recession, with Harding running on a platform promising a ‘return to normalcy.’

Despite lacking in charisma (satirist H.L. Mencken described the typical Harding speech as “reminiscent of stale bean soup”) and expressing only lukewarm support for women’s suffrage, Harding’s popularity with women proved to be a decisive factor

in the election—the first in which they were permitted to vote. (Ironically, Harding’s term was marked by unprecedented political and sexual scandal. While his campaign manager, Harry Daugherty, was bribing Harding’s mistress to disappear during the campaign, Harding was publicly scolding the American people for having “gotten too far away from the Almighty God.”)

Once in office, Harding was content to allow his Cabinet cronies to govern the country while he played poker, frequented burlesque houses and—according to one mistress—had sex in a White House closet. Over time, the public took to calling the derelict Harding ‘President Hardly.’

Although Daugherty had been an opportunistic supporter of Prohibition—which went into force in 1920—liquor flowed freely at White House poker parties and lavish private gatherings at his mansion.

Not surprisingly, Harding's Cabinet was riddled with corruption. In one infamous example, the Teapot Dome affair, Interior Secretary Albert Fall 'took a fall' for bribery, becoming the first former Cabinet member in U.S. history to serve jail time.

Harding admitted to being unfit for the presidency, saying he "never should have been here." When he died suddenly in 1923, rumors spread that his wife poisoned him to spare him impeachment and public disgrace.

Vice-president Calvin Coolidge finished out Harding's term, before going on to win a second term in 1924. But when he wasn't dozing in his White House rocking chair, 'Silent Cal's' main pastime as president was vetoing bills, in particular those intended to relieve the growing hardship of farmers, the poor, and the working class.

Proclaiming "the business of America is business," Coolidge disdained government intervention in the economy, and oversaw passage of some of the most dramatic tax cuts in U.S. history. Promoted as incentives to spur reinvestment and create new jobs, funds saved by the tax cuts mainly went into the pockets of the wealthy. (Coolidge revealed the depth of his economic wisdom during the Depression when he observed: "When more and more people are thrown out of work, unemployment results.")

While the nation's wealth more than doubled during the decade—fuelled by industrial expansion, mass production of automobiles and consumer goods, and technological innovation—the gains were disproportionately enjoyed by the rich.

During the 'Coolidge Prosperity' years of the 1920s, the richest 0.1% of Americans earned as much income as the lowest 42% and held 34% of all savings, while 80% of Americans had no savings at all.

The economic boom was largely reliant on a reckless and unprecedented expansion of credit, much of which ended up in unproductive malinvestment, in particular inflation in urban real estate prices.

Rampant speculation also resulted in an unprecedented bubble in stocks, with everyone from sales clerks to shoeshine boys pouring their savings into the market —itself rife with fraud and manipulation.

Ironically, the consequences of the excesses of the 'Roaring 20s' were foreshadowed in F. Scott Fitzgerald's famous novel *The Great Gatsby*. Superficially, the book celebrates the exuberance of the 'Jazz Age', but it is ultimately a critique of the materialism, corruption, decadence, and self-delusion lurking beneath the glitz and glamour of the era, and the growing wealth disparity obscured by apparent outward prosperity.

As personified by the wealthy bootlegger Jay Gatsby, Prohibition also helped fuel the rapid emergence of a 'new monied' class. But just as Gatsby's dream of winning Daisy from his rival ultimately ends in disaster, the 1920s era of prosperity ended in the stock market crash of 1929 and the discontent and disillusionment of the Great Depression.

By 1930, 4 million Americans would be unemployed, rising to 15 million three years later, a full quarter of the workforce. Not until the early 21st century would income inequality approach the levels of the Roaring 20s, what Fitzgerald would later call "the most expensive orgy in history."

And yet, like the doomed Gatsby, it seems to be the human condition to keep repeating the worst economic mistakes of history.

As Fitzgerald laments sardonically in the famous last line of his prophetic novel: *So we beat on, boats against the current, borne back ceaselessly into the past.* ■