

Calvin Coolidge Knew How to Manage an Economy

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You rarely, if ever, hear about President Coolidge and what he accomplished – sustaining a surplus and leaving office with a smaller budget than he started with. During his tenure (1923-29), his self-discipline and courage to repeatedly say “no” resulted in huge benefits. The U.S. experienced an increase of jobs, huge gains in the standard of living, and a three to four percent annual economic growth.

Unlike his predecessors, Coolidge often made decisions alone. Publicly he announced “We must have no carelessness in our dealings with public property or the expenditure of public money. Such a condition is characteristic of undeveloped people, or a decadent generation.”

The budget was all-important to Coolidge, and he met with his budget director often. After coming to office late in 1923, he met with him 14 times. In 1924, they got together 55 times, 52 in 1925, 63 in 1926, and 51 in 1927.

Coolidge remained strictly disciplined throughout his presidency, continually saying “no” to spending requests. In fact, Coolidge and his budget director met before cabinet meetings to identify budget cuts and discuss how to say “no.” Despite budget surpluses, Coolidge kept a lid on spending.

Coolidge once explained, “I believe in budgets. I want other people to believe in them. I have had a small one to run my own home, and besides that, I am the head of the organization that makes the greatest of all budgets, that of the United States government.”

He refused to put tax cuts before budget reduction, insisting the two objectives be intertwined. This contrasts to the Minnesota legislature that just passed a tax increase after first approving a spending bill. The money was already spent before it was even collected, and we were raising taxes, likely killing business needed in a tough economic period.

Coolidge favored tax cuts because they took government, the people’s servant, out of the way of the people.

Coolidge and Treasury Secretary Andrew Mellon launched their campaign to lower the top tax rates in 1923. Mellon convinced Coolidge that these cuts might result in higher revenues by what came to be known as “scientific taxation” – an early version of today’s Laffer Curve. They sought to lower the top rate from the fifties to the twenties, and by 1925 they managed to get it into the forties. This reduction already showed positive revenue results and in 1926, Coolidge signed legislation to bring the top marginal rate down to 25%.

Tax policies like that of President Obama are about putting the money and control in the hands of government and he isn’t alone in running this country badly – every administration since Coolidge, both Democratic and Republican, has done little budgeting, if at all, while failing to hold the line on costs.

This country took a bad turn in the 1970’s following Watergate, when The Budget and Accounting Act of 1921 was eviscerated. The replacement law tilted authority back to Congress, leading to over-spending and lack of responsibility. Since then we have witnessed

the raiding of Medicare, Social Security, and Postal Monies by Congress. Where has it gotten us?

Imagine where our country would be if it had maintained the selfish self-discipline of Coolidge...we would have large surpluses, lower taxes, healthy growth, and be a net-borrower to other countries. We are at the tipping point, so the question is who the American people will choose to lead them from now on. Obama is likely to leave over \$20 trillion in debt behind, along with the unfunded liabilities of Medicare, Medicaid, and Social Security – now at \$117 trillion and climbing. Where are our modern day “Coolidge” and a Congress willing to do the right things?