

The Roots of Trump's Economic Policy

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President Trump's economic policy, while seemingly foreign to today's Republicans and conservatives, is rooted in a Republican and conservative tradition. President Trump, in an economic policy speech in Michigan arguing for the need to resurrect American manufacturing, called for a "new economic model — the American model." President Trump in his many speeches often recalls the economic nationalism of past presidents such as Abraham Lincoln. As President Trump noted: "Our great Presidents, from Washington to Jefferson to Jackson to Lincoln, all understood that a great nation must protect its manufacturing, must protect itself from the outside...."

President Trump's American model of economic policy is not necessarily new, but rather, a rediscovering of the older Republican tradition. Patrick J. Buchanan wrote that "in leading Republicans away from globalism to economic nationalism, Trump is not writing a new gospel. He is leading a lost party away from a modernist heresy—back to the Old-Time Religion."

"The economic nationalism and protectionism of Hamilton, Madison, Jackson, and Henry Clay, and the Party of Lincoln, McKinley, Teddy Roosevelt, and Coolidge, of all four presidents on Mount Rushmore, made America the greatest and most self-sufficient republic in history," noted Buchanan.

Republican presidential administrations, especially before World War II, followed an economic approach that was based on similar ideas that President Trump is advocating. Charles Kesler, a Senior Fellow at the Claremont Institute, wrote that "Mr. Trump's policies suggest that what he calls his 'common sense' conservatism harks back to the principles and agenda of the old Republican Party, which reached its peak before the New Deal."

Although President Trump may not fit easily into the Republican Party or conservatism some of his ideas reflect the pre-World War II Republicans. As Kesler explains:

Mr. Trump remains the kind of conservative president whom one expects to say, proudly and often, “the chief business of the American people is business.” Although Calvin Coolidge said it first, Mr. Trump shows increasing signs of thinking along broadly Coolidgean lines, and of redirecting Republican policies toward the pre-New Deal, pre-Cold War party of William McKinley and Coolidge, with its roots in the party of Abraham Lincoln.

Charles Kesler described some of the policies of the pre-World War II Republicans that are similar to President Trump’s policy preferences:

In those days the party stood for protective tariffs, immigration tied to assimilation (or what Theodore Roosevelt called Americanization), judges prepared to strike down state and sometimes federal laws encroaching on constitutional limitations, tax cuts, internal improvements (infrastructure spending, in today’s parlance) and a firm but restrained foreign policy tailored to the defense of the national interest. Are these not the main elements of Trump administration policies?

In describing the electoral victory of Donald Trump, Tom Piatak, wrote in *Chronicles* that “the America First GOP of McKinley and Coolidge may be on the way back.”

President Trump can look to past Republican presidents for guidance such as William McKinley, Warren G. Harding, Calvin Coolidge, among others as examples who followed an “American model” of economics. Under President William McKinley’s economic policies the economy had “an annual growth rate of 7 percent.” President Warren G. Harding inherited a national economy that was suffering from an economic depression with high unemployment, high tax rates, and a large national debt.

The response of President Harding was to cut taxes, reduce spending, and begin paying off the national debt. Jim Powell, a Senior Fellow at Cato Institute, described the result of Harding’s policies:

Federal spending was cut from \$6.3 billion in 1920 to \$5 billion in 1921 and \$3.2 billion in 1922. Federal taxes fell from \$6.6 billion in 1920 to \$5.5 billion in 1921 and \$4 billion in 1922. Harding’s policies started a trend. The low point for federal taxes was reached in 1924; for federal spending, in 1925. The federal government paid off debt, which had been \$24.2 billion in 1920, and it continued to decline until 1930.

President Calvin Coolidge continued Harding’s economic policies. President Coolidge believed that the best economic policy was based on a balanced budget, keeping spending in check, and

lowering tax rates. He also supported sound money. Perhaps the most controversial policies Coolidge supported were restraint in immigration and the protective tariff.

Under President Calvin Coolidge the federal budget fell from \$3.1 billion in 1923 to \$2.9 billion in 1928, with the low point being \$2.8 billion in 1927. Robert Sobel wrote in Calvin Coolidge: An American Enigma that “there had been a budget surplus of \$292 million in 1920, which rose to \$509 million in 1921, \$736 million in 1922, and declined slightly to \$712 million in 1923, and rose to \$963 million in 1924.”

Coolidge and Secretary of the Treasury Andrew Mellon also achieved significant tax reform. “In 1924, the top rate fell to 46 percent (income over \$500,000). The top rate was just 25 percent (income over \$100,000) from 1925 to 1928, and then fell to 24 percent in 1929,” noted economist Veronique de Rugy. The economic impact of the tax cuts was significant, as illustrated by de Rugy:

The tax cuts allowed the U.S. economy to grow rapidly during the mid-and late-1920s. Between 1922 and 1929, real gross national product grew at an annual average rate of 4.7 percent and the unemployment rate fell from 6.7 percent to 3.2 percent. The Mellon tax cuts restored incentives to work, save, and invest, and discouraged the use of tax shelters.

The decade had started in depression and by 1923 the national economy was booming because of the Harding and Coolidge policies. Industries such as radio and the automobile grew tremendously. In reflecting on the economic impact of the Harding and Coolidge Administrations, Patrick J. Buchanan wrote:

Unemployment, 12 percent when Harding took office, was three percent when Calvin Coolidge left. Manufacturing output rose 64 percent in the Roaring Twenties. Between 1923 and 1927, U.S. growth was seven percent a year. At decade’s end, America produced 42 percent of the world’s goods.

Although the economy did well, with the exception of the overproduction in agriculture, the 1920s represented significant individual and business growth. “The seven years from the autumn of 1922 to the autumn of 1929 were arguably the brightest period in the economic history of the United States,” wrote Richard Vedder and Lowell Gallaway in Out of Work; Unemployment and Government in Twentieth-Century America. Milton Friedman and Anna Schwartz in, A Monetary History of the United States, 1867-1960, described the 1920s as “a period of high prosperity and stable economic growth.” In addition, “millions of Americans entered the middle class and attained a measure of economic security they had not known before,” wrote Garland S.

Tucker, III in The High Tide of American Conservatism: Davis, Coolidge, and the 1924 Election. The economy of the 1920s reflected tremendous growth, as explained by Michael A. Bernstein in his essay “The American Economy in the Interwar Era:”

From 1920 to 1929, total manufacturing output rose a bit over 50 percent, an aggregate figure that is masked even more by rapid rates of growth in major sectors of the economy. Primarily manufacturing grew at a rate of 2.5 percent per year; end product manufacturing increased 4 percent each year throughout the decade. By 1929, the economy of the United States produced four-tenths of the world’s coal, seven-tenths of the world’s petroleum, a third of the world’s hydro-electric power, half of the world’s steel, and virtually all of the world’s natural gas.

Ivan Eland, a Senior Fellow and Director of the Center of Peace and Liberty at the Independent Institute, wrote that President Trump should use Presidents Warren G. Harding and Calvin Coolidge as an example when formulating fiscal policy:

Mr. Trump and the Republicans should adopt the Warren Harding-Calvin Coolidge route to tax cuts. Those presidents believed in robust, old-fashioned spending cuts, thus enabling them to also slash taxes while at the same time reducing the then-substantial national debt left over from World War I.

Policymakers can learn much from the Harding- Coolidge economic blueprint. Certainly, the United States cannot return to the 1920s or even the 1950s, but President Trump can utilize the principles and policies to generate a new era of economic growth and opportunity for all Americans.

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