

CHAPTER  
**7**  
 SECTION 2

## Section Summary

### THE BUSINESS OF GOVERNMENT

#### READING CHECK

What was the purpose of the Kellogg-Briand Pact?

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#### VOCABULARY STRATEGY

Find the word *incentives* in the underlined sentence. Money, rewards, and praise are sometimes used as incentives. What is the meaning of *incentives*?

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#### READING SKILL

**Compare and Contrast** Look at the diagram comparing similarities and differences between Presidents Harding and Coolidge. How did their differences influence their presidencies?

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In 1920, fun-loving Warren G. Harding was elected President. Preferring a laissez-faire approach to business, Harding named banker **Andrew Mellon** as Secretary of the Treasury. Together they worked to reduce regulations on businesses and to raise protective tariff rates. This made it easier for U.S. producers to sell goods at home. In response, Europeans also raised tariffs, making U.S. products more expensive there. Laws had been previously passed to break up monopolies and protect workers, but Harding favored less restriction on businesses. His Secretary of Commerce, **Herbert Hoover**, asked business leaders to voluntarily make advancements.

Harding admitted that he preferred playing golf or poker to governing. He trusted his friends with important government positions. One friend, Charles Forbes, wasted millions of dollars while running the Veterans' Bureau. Another, Secretary of the Interior Albert Fall, created the biggest scandal of Harding's administration. In the **Teapot Dome scandal**, Fall took bribes to transfer control of oil reserves from the United States Navy to private oilmen. Fall was later forced to return the oil and sentenced to a year in jail. Harding died in 1923, before the full extent of the scandal came to light.

The new President, **Calvin Coolidge**, was quiet and honest. He put his administration in the hands of men who held to the simple virtues of an older generation. Like Harding, he mistrusted the use of legislation to achieve social change. He favored big business. He reduced the national debt and lowered taxes to give incentives to businesses. However, Coolidge said and did nothing about the country's many problems, such as low prices for farm crops, racial discrimination, and low wages.

In foreign policy, Coolidge pushed European governments to repay war debts to the United States. In 1924, an agreement known as the **Dawes Plan** was arranged to help Germany, France, and Great Britain repay those debts. In 1928, exhausted by World War I, 62 nations signed the **Kellogg-Briand Pact**, a treaty that outlawed war. Unfortunately, there was no way for nations to enforce the treaty, and it was quickly forgotten.

#### Review Questions

1. What was the Teapot Dome scandal?

2. How did Presidents Harding and Coolidge feel about laws that restricted businesses?