



Michigan Senator James Couzens's Wrongheaded Opposition to Tax Cuts

by Lawrence W. Reed

Summary

As Congress debates President Bush's tax cut proposal, Michiganians will be watching their senators closely to see how they deal with the issue. For the sake of freedom and prosperity, citizens should hope Sens. Levin and Stabenow don't follow the wrongheaded example of Sen. James Couzens, a Michigan senator who opposed President Coolidge's growth-promoting tax cuts in the 1920s.

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Will President Bush convince Congress to deliver the tax cuts he promised? Only time will tell. In the meantime, Michiganians will be watching how Sens. Carl Levin and Debbie Stabenow deal with the issue. For the sake of freedom and prosperity, we must hope they don't imitate the example of an earlier Michigan senator who bucked another president's tax cuts. His name was James Couzens.

Born in Canada, Couzens moved to Michigan in 1890 at the age of 18. He worked first as a railroad car checker in Detroit, then as a clerk for a coal company. Later, he became president of the Bank of Detroit, police department commissioner, and then, from 1919-1922, mayor of Detroit. His association with Henry Ford and the Ford Motor Company made him a millionaire and a statewide power broker. In 1922, he was appointed to fill a vacancy as a U.S. senator and was elected to full six-year terms in 1924 and 1930.

Couzens was a maverick Republican who fought the tax-cutting, fiscally prudent policies of Republican presidents Warren Harding and Calvin Coolidge. He was more often allied with "progressives" who pushed for greater government spending and involvement in the economy. Though wealthy himself, he often employed class warfare rhetoric as an advocate of "soak-the-rich" tax policies, and his principal nemesis was Treasury Secretary Andrew Mellon.

Like Couzens, Mellon was financially well-off. In fact, he was one of the three wealthiest men in America when President Harding tapped him for the \$12,000-a-year job at the Treasury Department. Mellon's uncanny ability to back cutting-edge technologies helped him build an empire in steel, oil, shipbuilding, coal, coke, banking and aluminum.

When Mellon came to Washington in 1921, the top federal income tax bracket was



Michigan Sen. James Couzens (far right) opposed the pro-growth policies of President Calvin Coolidge. Couzens's support for high taxes ultimately cost him his Senate seat when his party declined to renominate him.

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73 percent. Confiscatory levies were putting scarce capital to flight as investors sought refuge abroad or in tax havens at home. As an example, Mellon often pointed to John D. Rockefeller's brother William, who had \$44 million in tax-exempt bonds and only \$7 million in Standard Oil when he died in 1923.

Arguing that taxes had to be lowered "to attract the large fortunes back into productive enterprise," Mellon noted that "more revenue may often be obtained by lower rates." With the full support of President Coolidge, who had assumed office upon Harding's death in 1923, Mellon pressured Congress and by 1929, when legislators passed his sixth tax cut of the decade, the top rate had been slashed from 73 to 24 percent. Those in the lowest income bracket (earning under \$4,000 annually) saw their rates fall by an even greater percentage—from 4 percent to one-half of one percent.

Where was James Couzens in the debates over the Coolidge-Mellon tax cuts? Squarely on the wrong side, opposing them at every turn. He conducted witch-hunting investigations in an attempt to embarrass the administration. He charged that the Treasury Department was secretly giving refunds to rich, politically favored businessmen. (However, the senator was embarrassed when it became evident that the refunds were largely the result of clerical errors and Supreme Court decisions.)

Couzens continued to paint dire pictures of a hemorrhaging treasury. But personal income tax receipts for 1929 were over \$1 billion, in contrast to the \$719 million raised in 1921, when tax rates were far higher. The economy grew by 59 percent in that period, America was awash in new inventions, and American wages became the envy of the world.

Simultaneously, with no help from Couzens, Coolidge and Mellon were constraining the spending side of government. In 1928, total expenditures were actually a shade lower than they had been in 1923.

Today, some historians ignore the tax cuts of the 1920s or even blithely declare that they set the stage for the Great Depression. But as any economist worth his salt will assert, it was mismanagement by the Federal Reserve that brought the good times to an end. Additionally, massive hikes in taxes, tariffs and regulations begun under Herbert Hoover (and endorsed by James Couzens) reversed the Coolidge-Mellon program and assured Americans of a decade-long slump.

Increasingly unpopular within his own party, Sen. Couzens was denied renomination in 1936 and died in October of that same year.

Sens. Levin and Stabenow, please don't make the same mistakes Sen. Couzens did!

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