A member of the [Republican Party](http://www.spartacus.schoolnet.co.uk/USArepublican.htm), Mellon served as secretary of the treasury under presidents, [Warren Harding](http://www.spartacus.schoolnet.co.uk/USAharding.htm), [Calvin Coolidge](http://www.spartacus.schoolnet.co.uk/USAcoolidge.htm) and [Herbert Hoover](http://www.spartacus.schoolnet.co.uk/USAhoover.htm). During his period in office (1921-32), Mellon followed policies that involved cutting income tax rates and reducing public spending. He also brought an end to the excess profits tax. Mellon's policies created a great deal of controversy and he was accused of following policies that favored the wealthy.

Mellon opposed government intervention and bailing out failed banks. The economy would heal itself naturally after everything had failed and been sold-off in one gigantic fire-sale, he thought, but in the end Mellon's approach failed to bring the Great Depression in the US to an end.

...the “leave it alone liquidationists” headed by [my] Secretary of the Treasury Mellon, who felt that government must keep its hands off and let the slump liquidate itself. Mr. Mellon had only one formula: “*Liquidate labor, liquidate stocks, liquidate the farmers, liquidate real estate*.” He insisted that, when the people get an inflation brainstorm, the only way to get it out of their blood is to let it collapse. He held that even a panic was not altogether a bad thing. He said: “It will purge the rottenness out of the system. *High costs of living and high living will come down. People will work harder, live a more moral life. Values will be adjusted, and enterprising people will pick up the wrecks from less competent people*”...  Pres. H. Hoover

**(1) Andrew Mellon, *Taxation: the People's Business* (1924)**

The problem of the government is to fix rates which will bring in a maximum amount of revenue to the Treasury and at the same time bear not too heavily on the taxpayer or on business enterprises. A sound tax policy must take into consideration three factors. It must produce sufficient revenue for the government; it must lessen, so far as possible, the burden of taxation on those least able to bear it; and it must also remove those influences which might retard the continued steady development of business and industry on which, in the last analysis, so much of our prosperity depends.

Furthermore, a permanent tax system should be designed, not merely for one or two years nor for the effect it may have on any given class of taxpayers but should be worked out with regard to conditions over a long period and with a view to its ultimate effect on the prosperity of the country as a whole. These are the principles on which the Treasury's tax policy is based, and any revision of taxes which ignores these fundamental principles will prove merely a makeshift and must eventually be replaced by a system based on economic rather than political considerations.

There is no reason why the question of taxation should not be approached from a nonpartisan and business viewpoint. In recent years, in any discussion of tax revision, the question which has caused most controversy is the proposed reduction of the surtaxes. Yet recommendations for such reductions have not been confined to either Republican or Democratic administrations. My own recommendations on this subject were in line with similar ones made by Secretaries Houston and Glass, both of whom served under a Democratic President. Tax revision should never be made the football either of partisan or class politics but should be worked out by those who have made a careful study of the subject in its larger aspects and are prepared to recommend the course which, in the end, will prove for the country's best interest.

I have never viewed taxation as a means of rewarding one class of taxpayers or punishing another. If such a point of view ever controls our public policy, the traditions of freedom, justice, and equality of opportunity, which are the distinguishing characteristics of our American civilization, will have disappeared and in their place we shall have class legislation with all its attendant evils. The man who seeks to perpetuate prejudice and class hatred is doing America an ill service. In attempting to promote or to defeat legislation by arraying one class of taxpayers against another, he shows a complete misconception of those principles of equality on which the country was founded. Any man of energy and initiative in this country can get what he wants out of life. But when that initiative is crippled by legislation or by a tax system which denies him the right to receive a reasonable share of his earnings, then he will no longer exert himself and the country will be deprived of the energy on which its continued greatness depends.

This condition has already begun to make itself felt as a result of the present unsound basis of taxation. The existing tax system is an inheritance from the war. During that time the highest taxes ever levied by any country were borne uncomplainingly by the American people for the purpose of defraying the unusual and ever increasing expenses incident to the successful conduct of a great war. Normal tax rates were increased, and a system of surtaxes was evolved in order to make the man of large income pay more proportionately than the smaller taxpayer. If he had twice as much income, he paid not twice but three or four times as much tax. For a short time the surtaxes yielded a large revenue.

But since the close of the war people have come to look upon them as a business expense and have treated them accordingly by avoiding payment as much as possible. The history of taxation shows that taxes which are inherently excessive are not paid. The high rates inevitably put pressure upon the taxpayer to withdraw his capital from productive business and invest it in tax-exempt securities or to find other lawful methods of avoiding the realization of taxable income. The result is that the sources of taxation are drying up; wealth is failing to carry its share of the tax burden; and capital is being diverted into channels which yield neither revenue to the government nor profit to the people.