

The Progressive Era, 1900-1916

Six major themes we will consider:

- I. Shift from Gilded Age to Progressive Era Reform
 - II. Five Goals of the Progressive Era Reform Movement
 - III. Theodore Roosevelt and Republican Progressivism
 - IV. William Howard Taft, Roosevelt's protégé outdoes his boss
 - V. The Election of 1912 – Progressives battle each other
 - VI. Woodrow Wilson's Progressivism
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I Theme One. Shift from Gilded Age to Progressive Era

- A. During the Gilded Age, Americans had been arguing about whether to reform. They asked questions like: "should there be a civil service?"
- B. During the Progressive Era the public figures were arguing about how to reform.
- C. The Gilded Age was full of all out violence in labor and in the agrarian revolt. During the Progressive Era the violence was gone.
- D. During Gilded Age there were distinct divisions among those who supported reform.
 1. Mugwumps, these people were seen as elitist and don't get a lot of support. They were wealthy, educated and interested in Civil Service Reform.
 2. Agrarian Revolters and Laborers, on the other hand, led what was a bottom up movement that did not succeed either. These people, for the most part, lacked the education and the economic power of the Mugwumps.
- E. During the Progressive Era, there was a **coalition** built between reformers.
- F. These reformers have much more power, but since labor unionist, agrarian revolters, and mugwumps are all combined the reform is **less focused**.
- G. The aims were not as clear and there was a lot of conflict within the reformers own associations.
- I. However, this sharp conflict rarely polarized the society. There were compromises, half-way solutions, and little violence.

II. Theme Two: Five Goals of the Progressive Era Reform Movement

- A. **Greater Democracy** – or majority rule through government. There is an effort to expand the democratic nature of America to the total population. More control for the people through their government.
 1. Probably, the most important text to defend the growth government for democratic purposes was **Herbert Croly's** *The Promise of American Life*.
 - a. Born in New York, on 23rd January, 1869.

b. After being educated at Harvard University he became the editor of the Agricultural Record.

c. In 1909 Croly published, *The Promise of American Life*.

1. In the book, Croly argued for a planned economy, increased spending on education and the creation of a society based on the "brotherhood of mankind".

2. Its central point was often summarized in a useful catch-phrase: Hamiltonian means to achieve Jeffersonian ends, meaning that Hamilton's program of government intervention, once identified with big business interests, should be used to achieve democratic and egalitarian Jeffersonian goals.

3. The book influenced the political views of the most important Presidents of the period, Theodore Roosevelt and Woodrow Wilson.

4. In 1914, Croly was asked by Willard Straight to become the first editor of the *New Republic*. The magazine was run by a small editorial board that included Croly's friend, Walter Lippmann. All outside contributions were submitted to the editorial board and had to be accepted by all members before it could appear in the magazine. Early contributors included Randolph Bourne, Amy Lowell, Henry Brailsford and H. G. Wells.

5. When it was first published on 7th November 1914, the *New Republic* had 32 pages, including self-cover, and contained no illustrations.

6. Its first edition sold 875 copies but after a year the circulation reached 15,000. The *New Republic* became a strong supporter of Theodore Roosevelt and the Progressive movement.

7. Herbert Croly remained editor of the *New Republic* until his death on 17th May, 1930.

2. Other books and essays were available on greater democracy, as well, notably the works of Randolph Bourne.

3. **State Action** for greater democracy

a. In **state law**, not federal law

1. **Imitative** - state law that gave voters the opportunity to initiate state law. Petition of names, etc.

2. **Referendum** - this gives the voters the ability to vote on state laws by ballot, the majority of the public vote would pass or defeat the law.

3. **Recall** - people wanted the ability to fire representatives, governors, etc., that they had elected. Majority vote meant he was out.

b. By the end of the Progressive Era, 20 states had some version of the initiative and referendum, while 12 had the recall.

c. Also at the state level--there was the **Direct Primary**.

1. This gave people in each state the ability to choose a Party candidate.

2. Before the Progressive Era, the choice of political candidates was generally up to the Party bosses.

3. The Direct Primary gave the people who were members of a party (by their own declaration) the right to vote for a party candidate.

d. If a candidate won the primary, he got the state's delegates at the party meeting for the national candidate.

4. **Federal Action** for greater democracy.

a. **17th Amendment** - determined the way in which Senators were chosen on the national level.

b. Before they had been chosen by the state legislatures

c. But this Amendment provided for the popular election of Senators.

B. Greater Efficiency

1. **Fredrick Winslow Taylor**, *The Principles of Scientific Management* (1911) systematized reorganization of Corporations and Industry on scientific principles.

2. He believed workers had too much power in the Factory.

3. Decisions should be made by trained **managers** if efficiency was desired.

4. He wanted to break up production into individual tasks that workers could do with no training. Workers would be made into interchangeable parts.

5. So, there was obviously tension between democracy and efficiency, One leader vs. many.

6. In 1913, **Henry Ford** started the first assembly line and was the first to put Taylor's strategy into practice.

7. **City manager plan**--cities were growing, trash, transportation, roads, infrastructure, all growing. The city manager plan was an attempt to make the city a more efficient conglomeration of people and government. Jobs were taken from elected officials and given to people who were trained. The city was run like a business. Save money, cut waste, produce good things. City manager and board of directors. This was a continuation of the Mugwump desire for civil service reform.

C. Greater Regulation

1. Two principal works favoring reform: Tarbell's *History of Standard Oil*, and Upton Sinclair's *The Jungle*.

a. Ida Tarbell's "History of the Standard Oil Company," published by *McClure's Magazine* (1902-1904).

1. Oil historian Daniel Yergin called this work the "most important business book ever written."

2. Miss Tarbell revealed, after years of painstaking research, the illegal means used by John D. Rockefeller to monopolize the early oil industry.

3. Yet Miss Tarbell interspersed in her condemnation of Standard Oil's illegal practices, praise for Rockefeller's enormous accomplishments in organizing and stabilizing a volatile industry.

4. She rejected being labeled a "muckraker" (despite its popularity), because "I was convinced that in the long run [that] the public they were trying to stir would weary of vituperation, that if you were to secure permanent results the mind must be convinced."

b. Upton Sinclair's book *The Jungle* (Doubleday, Page & Company, New York, 1906).

1. Sinclair meant the novel to be a tract for socialism – exposing the terrible working conditions of meat packing workers. But its main impact came from its portrayal of filthy conditions in Chicago's meatpacking industry.

2. "It was too dark in these storage places to see well, but a man could run his hand over these piles of meat and sweep off handfuls of the dried dung of rats. These rats were nuisances, and the packers would put poisoned bread out for them, they would die, and then rats, bread, and meat would go into the hoppers together."

3. President Theodore Roosevelt, an omnivorous reader, read *The Jungle* – and reacted quickly.

4. He sent two agents to Chicago and their report confirmed all that Sinclair had said.

5. "We saw meat shoveled from filthy wooden floors, piled on tables rarely washed, pushed from room to room in rotten box carts, in all of which processes it was in the way of gathering dirt, splinters, floor filth, and the expectoration of tuberculosis and other diseased workers."

6. The Meat Inspection Act of 30 June 1906 required federal inspection of meats destined for interstate commerce and empowered officials in the Agriculture Department to impose standards of sanitation.

7. The Pure Food and Drug act, also passed on 30 June 1906, placed restrictions on the makers of prepared foods and patent medicines and forbade the manufacture, sale, or transportation of adulterated, misbranded, or harmful foods, drugs, and liquors.

2. In addition to the books published on the topic, the people pushed the federal government to bring the American economy under government regulation.

3. New Federal Cabinet Posts and bureaucratic departments were started.

a. **Department of Commerce and Labor (1903)**

1. Cabinet official reported directly to the President.

2. Within this department was the Bureau of Corporations, which regulated corporations except for railroads, which were already overseen by the Interstate Commerce Commission.

3. In 1913, the Department of Commerce and Labor was split into two organizations.

b. Hepburn Act (1906)

1. This act gave the Interstate Commerce Commission real teeth.
2. That body could now set prices for railway freight, they guaranteed profits but were going to cut out "destructive competition"

c. Food and Drug act created the Food and Drug Administration (1906).

1. This had been sparked to life by Upton Sinclair's novel *The Jungle*, which portrayed the gross meat industry and what was going on there.
2. In fact, Sinclair had written the novel to show the poor working conditions of the employees, but people were just grossed out by hands, arms, and legs being chopped off and the fact that they might be in the meat they ate.

d. Federal Trade Commission (1914)

1. This organization replaced the Bureau of Corporations.
2. It was authorized to issue cease and desist orders for unfair trade.

e. New Spirit of Regulation

1. The regulation that developed reflected cooperative spirit between scientific managers of industry and scientific administrators of government.
2. Some said this was like the fox guarding the hen house.
3. But the government said that the experts were the only ones that knew enough about industry to regulate it.
4. People worried about what they called "**Clientele capture**," which was when a government agency was effectively controlled by the business leaders who oversaw it.
5. Food and Drug regulation actually led to an increase in profits for the meat industry because people now felt that they could be sure what they were eating was safe.

D. Social Justice (mostly on the state level)

1. Social Justice meant efforts to help those who were poor and powerless.
2. Prior to this time the effort to help the poor was charity, privately carried out by churches and community groups.
3. With industry and cities, people began to think that private aid was not enough.
4. Rich and poor became more and more obviously divided.
5. The poor group was growing and the rich tried to avoid the poor.
6. In former times, there had been a personal bond, but in industrial society the bosses and leaders often did not know the individuals who were suffering.

7. The Constitution said that the Government of the United States had been formed to "promote the General welfare."
8. So during Progressive Era, private charity was replaced by government organization.
9. State governments first dominated in this field.
 - a. Most obvious issue to deal with was the **working poor**.
 - b. Made clear by Jacob Riis's book *How the Other Half Lives* (1890)
 1. Jacob Riis's photographs are universally valued by social and photographic historians.
 2. Comprising the earliest photographic record of the city's squalid housing, sweatshops, police lodging houses, bars, streets, and alleys, these images offer the most dramatic photographic commentary on poverty and homelessness in turn of the century America.
 3. Riis's photographs present rare images of men, women and children of all nationalities at home, work and leisure. They document turn- of-the-century social services, including public health and education, as well as religious instruction and law enforcement.
 - c. Leads to a fight against **child labor**.
 1. In 1900, about three million children – nearly 20 percent of those between the ages of 5 and 15 – held full or part time jobs.
 2. Thousands of children worked in mines and in southern cotton fields.
 3. The use of child labor began to shrink as states passed compulsory education and minimum wage laws.
 4. In addition, most states by 1914, had child labor laws that made it illegal to exploit children financially.
 5. However, there was no effective national child labor law until the 1930s.
 6. In 1916 and 1919, federal child labor laws were stricken down by the court.
 - d. Also, challenge general working conditions.
 1. Ten hour day laws in several states. The move to an 8 hour day is seen as revolutionary.
 2. Using **Substantive Due Process**, the Supreme Court in **Lochner v. New York** (1905) said that the 10 hour day law deprived the worker of his liberty to make a contract to work as long as he wanted.
 3. A number of unions got 10 hour days for themselves.
 4. **Muller v. Oregon** (1908) ten hour day law for women, women were seen as needing special protection
 5. **Bunting v. Oregon** (1917) ten hour day for all.

6. In these last two cases a lawyer named **Louis Brandeis**, used what later became known as the Brandeis brief.

a. He put together statistical information, a new technique, to show that people were being gravely harmed all over the nation without having the 10 hour day laws.

b. This statistical technique shown to be a good primary weapon.

7. Workers Compensation laws were also passed on the state level. In mining, as an example, 3000+ died in 1911. Work was dangerous and these laws seen as good stuff. Insurance for workers.

10 Although we have discussed social justice in terms of what the government did, it was also a movement that was called for and led by private people.

11. The quintessential advocate of social justice was **Jane Addams**, the founder of **Hull House** in Chicago, a settlement house that ministered to the least fortunate of the city's population and inspired many people throughout the nation to do the same.

12. Other leaders within the social justice cause were the **Muckrakers**, who got their name from Roosevelt.

13. These were talented journalists who wrote for inexpensive, popular magazines. The major ones were **Ida Tarbell, Lincoln Steffens, and Samuel Hopkins Adams**.

14. Muckrakers made publicity a primary instrument of reform. They sought to educate the public by laying bare "the shameful facts," fully confident that a rational citizenry, properly informed, would take action to correct problems such as economic and social inequities, inefficient and unresponsive government, and reckless exploitation of human and natural resources.

E. Government Activism

1. People wanted government to take a greater role in all aspects of American life.

2. There was great confidence and faith in government.

3. Build roads, bridges, harbors, schools, pay teachers, public health, hospitals, insane asylums, sanitariums, sanitation, sewers, trash removal, fire departments, and farmer aid.

4. Most activism at the federal level during the Progressive era is moved by the President. Before the Progressive era, if you can kind of evaluate what we've seen, federal activism was dominated by Congress.

III. Theodore Roosevelt and Republican Progressivism

A. After President McKinley was shot in Sept. 1901, Theodore Roosevelt took over from his position as Vice President.

B. Roosevelt had gained fame as a fighter in the Spanish-American War in 1898, as the hero of San Juan Hill.

C. He had, in 1898, when he returned been elected governor of New York. He stood for reform. He had been chosen as McKinley's VP candidate in 1900.

D. Once President, Roosevelt set about determining national politics.

E. He saw Congress as a slow and grid locked organization torn by party. The laws produced by Congress were too watered down because they had been the product of wheeling and dealing to please regions and parties within the nation.

F. Since the end of the Civil War and the death of President Lincoln, the executive had been weak and congress had had all the power.

G. Roosevelt wanted to return the Presidency to the power that it had had under Lincoln. Roosevelt used his booming personality to take charge and direct national affairs.

H. One of Roosevelt's main concerns was that the people get what he called a "Square deal."

1. For him, this mean enforcement of existing antitrust laws and strict control of big business.
2. Roosevelt wanted to go after organizations that were endangering public welfare.
3. However, he also believed that wholesale trust-busting would not work.
4. Effective regulation, he believed, was better tan a futile effort to restore small business, which might be achieved only at a cost to the efficiencies of scale gained in larger operations.
5. Even so, he became known as a great "trustbuster."

I. Using his executive authority to enforce laws passed by Congress, Roosevelt went after several big corporations that were violating the Sherman Anti-Trust Act of 1890.

J. He wanted to bust up combinations in restraint of trade.

K. Before Roosevelt, the Sherman Anti-Trust Act had not been used against Trusts.

L. The Attorney General worked for Roosevelt, pulling Trust into the Supreme Court.

M. Northern Securities Case (1904)

1. The Union Pacific, Great Northern, and Northern Pacific Railways had pooled their stock in the Northern Securities Company.
2. This endangered competition on rail lines, and thus endangered the economy.
3. Those who traveled could be cheated because all the companies could raise their prices and if the others charged the same, what could the consumer do.
4. This and other cases like it led millionaire business men of the period to be known as Robber Barons, crooks who stole from hard working, typical people.
5. There was a popular campaign against the company, and Roosevelt took the case to court.
6. Roosevelt argued that there were "good trust," which helped society grow strong, but bad trust abuse their power and economically manipulate the society around them.

7. This is an important point. Roosevelt went after "Bad" Trust. All big business was not bad, but there was some that was and that is what he aimed at. The nation needed big business for a powerful industry and the power to combat foreign powers if necessary.

8. Roosevelt won the Supreme court case, and the railroads were forced to split. It was a huge popular success for the President.

N. Re-elected in 1904.

1. Roosevelt's policies of government activism were well liked by the people and he was reelected in 1904.

2. He received 336 electoral votes, and 57.4% of the popular vote.

3. The Democratic nominee, Alton Parker received only 140 electoral votes and 37.6% of the popular vote.

O. The Swift Case (1905)

1. In 1905, Roosevelt carried on his efforts at trust busting.

2. He took on the meat packing industry.

3. The Swift Company, based in Chicago, was a large meat company that packaged meat for market.

4. The company had tight control on the meat industry.

5. The Swift Company had in fact wiped out most of its competition.

6. Roosevelt took this Company to the Supreme Court as a combination in restraint of trade.

7. Swift lawyers argued that Congress could regulate **interstate** commerce, but could not regulate **intrastate** commerce, which was trade that was carried on wholly within the borders of one state.

8. They argued that the Swift Co. did not trade in interstate commerce.

9. Ten years earlier in the Supreme Court **E.C. Knight Case (1895)**, the judges had ruled that **all manufacturing was intrastate**. Thus congress could not make laws to regulate manufacturing.

10. The E.C. Knight case was a great help to the Swift Co. lawyers.

11. However, the Supreme Court reconsidered their decision in the E.C. Knight case. They came back with a new decision, which rested on the phrase: **"stream of commerce."**

12. The Court said basically that, yes, the meat packing does go on in Chicago, but the Swift company gets cattle from Oklahoma and other states, and it sells meat as far away as California.

13. Manufacturers do then, although they may have their plant in one location, trade all over the country--thus they trade in an **interstate stream of commerce**.

14. This case then, represented a fundamental shift in the way the commerce clause of the constitution (Article 1 section 8) was interpreted. Federal government could now regulate manufacturing.

15. The Swift Company was broken up by Roosevelt in this manner, and Congress got behind the President to make laws regulating manufacturing because they knew the Court would no longer knock them down.

P. Conservation

1. Another of Roosevelt's most enduring achievements was his efforts in behalf of conserving the nations forests, water, wildlife, and other resources.

2. Roosevelt was an avid outdoorsman, a hunter, hiker, and amateur conservationist, himself.

3. Through executive action, he added 150 million acres to national reserves, created more than 50 federal wildlife refuges, approved five new national parks, and initiated the system of designating national monuments such as the Grand Canyon.

4. The nation for the first time acquired a comprehensive conservation policy as a result of efforts by the president and a small group of government officials who wanted to use national resources efficiently.

5. He was a energetic support of the conservation movement.

IV. William Howard Taft, Roosevelt's protégé outdoes his boss?

A. When Roosevelt had run in 1904, he promised not to seek another term.

B. In 1908, it was time for another election.

C. Roosevelt said that he had had a "great time as president," and he was one of the few men in history that has had the power to choose his successor.

D. This he did. Roosevelt choose **William Howard Taft**.

E. The fact that Taft was Roosevelt's hand picked successor led the press and the people to believe that he would carry on Roosevelt's policies.

F. This gave Taft an easy victory over William Jennings Bryan in the 1908 election.

G. However, as President, Taft was reluctant to use government to lead the economic life of the country.

1. Taft did not have that much faith in the government's ability to determine the best economic or social course, and some historians view him as the least progressive president of the period.

2. Roosevelt had believed that big business monopoly would be fine, if the government grew also so that regulation would be possible.

3. Taft on the other hand, was for breaking up trusts.

4. In Taft's administration eighty antitrust suits were brought against big business, while Roosevelt had only brought twenty-five.

5. Taft had also worked to withdraw public lands from private use, as Roosevelt had done. In fact, Taft withdrew more in four years than Roosevelt had in eight.

H. Although Taft was not really that far away from Roosevelt in his political philosophy, he was a poor politician, the presidency was his only elective office, and he made decisions that seemed good, but appeared bad.

I. The prime example was the Ballinger an Pinchot episodes:

1. In 1910, Taft's secretary of the interior, Richard Ballinger of Seattle was aware that many westerners did not support conservation because it inhibited growth of the region.

2. He therefore threw open to use more than a million acres of waterpower sites which Roosevelt had labeled ranger stations.

3. At about the same time Ballinger turned over coal lands in Alaska to a group of Seattle men, some of whom he had represented as a lawyer.

4. This group, apparently without Ballinger's knowledge, had agreed to sell the land to a Morgan-Guggenheim company.

5. This set of circumstances proved too much for one investigator with the General land office, who went to the Chief of Forestry Pinchot with evidence of the trouble.

6. Pinchot told Taft, who had the investigator fired, and when Pinchot then with public with the info, Taft fired him as well.

7. This destroyed Taft's reputation with many progressive republicans, who soon called Roosevelt from retirement.

V. The Election of 1912 – Progressives Battle Each Other

A. Taft's political ineptitude hurt the Republican Party.

B. In the mid-term elections of 1910, the Republicans lost control of Congress because Taft was viewed as a poor president, who was not carrying the progressive torch of the party.

C. Roosevelt, who had gone to Africa to be a big game hunter after the election of 1908, came back after 1910.

D. In 1912, progressives convinced Roosevelt to challenge Taft for the Presidential nomination of the Republican party.

E. At the party convention, the Republican faithful stayed with Taft. He was their president and leader, and to go with Roosevelt would be too radical.

F. The outraged Roosevelt delegates assembled in their own rump convention and Roosevelt declared that he would run for the "Progressive Party," that he was "fit as a bull moose."

G. With the division in the Republican Party, the Democrats took advantage with Woodrow Wilson.

1. Wilson had risen rapidly in the political world.

2. Born to a Presbyterian minister, Joseph, and his wife in Staunton Virginia in 1856, Wilson's family moved to Augusta, Georgia when he was three.

3. His family lived in the South throughout the Civil War.
 - a. Wilson believed all his life that the South had “absolutely nothing to apologize for,” so far as its secession from the Union was concerned.
 - b. He believed further that the South's willingness to shed its blood “rather than pursue the weak course of expediency” had preserved its self-respect.
 - c. Wilson remained a Southerner throughout his life.
4. In 1873, Wilson attended Davidson College, a small Presbyterian school in North Carolina, of which his father was a trustee.
5. At that time there was some expectation that he might be preparing for the clergy, but the following year he enrolled at the College of New Jersey, a school favored by young Southern gentlemen.
6. Then, after graduation he attended the Law school at the University of Virginia, from which he moved to Atlanta Georgia and set up a short lived law practice in 1882.
7. In 1883 Wilson abandoned his law career and entered the graduate school of The Johns Hopkins University to study history.
8. He received a Ph.D. in History in 1885, and began teaching at Bryn Mawr College, a school for women near Philadelphia.
9. Ultimately, he returned to Princeton, where he became a Professor in 1890.
10. His major scholarly achievement, *A History of the American People*, was published in 1902 in five volumes, and Wilson's name became familiar and increasingly respected.
11. When the presidency of the college became vacant in 1902, Wilson was unanimously elected.
12. As **president of Princeton**, Wilson tried to end practices he believed harmful to education.
 - a. The student body maintained a club system and separate dining facilities that were undemocratic.
 - b. They put aside study for what they deemed gentlemanly accomplishments.
 - c. The university emphasized lectures rather than student-faculty discussion.
 - d. Wilson had accepted such procedures while establishing himself on campus, but now he prepared for radical departures.
 - e. He demanded the raising of admission and achievement standards.
 - f. Following universities in England, he sought to create communities of students, as opposed to exclusive societies.
 - g. Students were to live and study together in arrangements of four buildings in a rectangle, or quads.
 - h. Preceptors, rather than lecturers, were to give students personal attention.

i. In a new set of buildings that Wilson proposed to build, the faculty would eat with students and teach them by example as well as by the book.

j. During his first years as president of Princeton, Wilson enlisted the enthusiasm of his teachers and administrators, and word of his exciting ideas spread.

k. Moreover, he brought to his campus many new young instructors who were eager for innovation and change. Some students and faculty, who preferred the old aristocratic ways and who resented his downgrading of sports and his blunt attacks on student clubs, resisted Wilson.

l. He also displeased alumni, who were fond of their own student days and were generally suspicious of reform.

m. Wilson's quad plan was especially open to criticism because it involved great building expenses and would require wide endorsement by wealthy alumni, who were unwilling to give it. To Wilson's deep chagrin the quad plan failed to win the approval of the university's trustees.

26. Facing these struggles, which he regarded as petty, Wilson decided to move on to a bigger and better position.

27. In 1910 he was elected as the **governor of New Jersey**.

28. Under Wilson's leadership, New Jersey was rapidly transformed from a conservative state into one of the most progressive in the nation.

a. A direct primary law democratized elections, a public utilities commission was created to regulate power and water companies, and a corrupt practices act further curbed the power of the utilities and other giant corporations within the state.

b. Wilson's confidence in his own powers and in his ability to get people to respond to them was at its height. His name became increasingly well-known throughout the country.

29. Then, in 1912 Wilson got the nomination of the Democratic Party in Baltimore, when William Jennings Bryan shifted to his side.

H. When the presidential race began it was clear that Taft was out, too many people did not like him. The decision to be made was between Roosevelt and Wilson.

I. Both were progressives, but they had different forms of progressivism.

J. Roosevelt called his political philosophy **NEW NATIONALISM**.

1. He wanted a strong centralized government, with big business as a major component.

2. This would create a strong America that could dominate the international scene.

3. Roosevelt's political philosophy had been influenced by **Herbert Croly**, a New York journalist who had written *The Promise of American Life*.

4. New Nationalism would enable government to achieve social justice and more specifically to effect such reforms as graduated income and inheritances taxes,

workmen's compensation, regulation of the labor of women and children, and a stronger Bureau of Corporations.

5. In the economic field, New Nationalism was called **REGULATED MONOPOLY**.

6. Remember, Roosevelt did not think all monopoly or trusts were bad, just the ones that abused their power.

7. Therefore, if you regulate monopoly, it would be ok. He wanted big business, it would help the nation grow strong.

K. Wilson's initial political philosophy was the **New Freedom**.

1. This focused on decentralization: in government and business.

2. Wilson's philosophy was largely fashioned by **Louis D. Brandeis**, the progressive lawyer from Boston who had used the Brandeis brief for progressive action to end poor working conditions.

3. Brandeis's design and Wilson's philosophy called for a federal government that should restore the competition among small economic units rather than regulate huge monopolies.

4. This would require a vigorous antitrust policy, lowering tariffs to allow competition with foreign goods, and breaking up the concentration of financial power in wall street.

5. The expansion of federal power was **a necessary evil**, it would only be temporary. Big government was not an end in itself, but was a means to an end. Wilson was at first fearful of big government.

6. In the economic field, New Freedom was called **REGULATED COMPETITION**. Foster competition and strengthen the American economy by bringing the little guy back in.

L. **Election of 1912**

1. The Republican schism opened the way for Wilson who won by a electoral vote of: 435 Wilson, 88 Roosevelt, 8 Taft.

2. The election of 1912 was important for many reasons.

3. It was the highest point of progressivism.

4. It was an election in which the two main candidates debated the basic issues of progressivism in a campaign unique for its focus on the philosophical tone of the day.

5. Also, this election was the first time since the Civil War that democrats had effective national power.

6. For two years under the second Cleveland administration, 1893-95, they had held both houses and the White house, but they lost that quickly.

7. This election brought southern back into the orbit on national and international affairs.

VI. Woodrow Wilson's Progressivism

A. Wilson goes after the "triple wall of privilege"

1. **Tariff: Underwood-Simmons Tariff of 1913**

- a. Wilson appeared before a joint special session of congress
- b. lobbyist at Senate, Wilson calls on the people to hold representatives accountable
- c. Provisions:
 1. reduced duties on 958 items
 2. raised them on 86
 3. left 307 the same
 4. There was a list of 300 free items: including sugar, wool, iron, steel rails, coal, cement, and farm products.
 5. Dropped average duty from 37% (1897 Dingley Tariff, highest ever to that time, remember McKinley) to 29%.
- d. Underwood Tariff works in conjunction with **16th Amendment** (1913) too.
 1. The drop in the tariff was accompanied in the act by the first income tax levied under the 16th Amendment
 2. Income Tax 1% on incomes over 3000
 3. Surtax graduated from 1% on incomes of about 20,000 to 6% on incomes above 500,000.
 4. By 1917, income tax shot ahead of receipts from tariff.

2. **Banking: Owen-Glass Federal Reserve Act (1913)**

[Material from encarta.com]

a. **BACKGROUND**

1. During the 50 years before the passage of the Federal Reserve Act of 1913, surging economic growth was interrupted by economic crises, frequently accompanied by the collapse of the monetary system. The U.S. banking system was unable to respond flexibly to business cycles.
2. Under the **National Bank Act of 1864**, the banking system was divided into three groups: central reserve city banks (the first was located in New York City; then, Chicago, Illinois, and St. Louis, Missouri, were added in 1887), reserve city banks (in 16 other large cities), and country banks.
3. All national banks were required to hold cash reserves, but country banks could hold a percentage of these deposits in reserve city banks.
4. When country banks required additional reserves to meet their customers' cash demands, they would demand their reserves from reserve city banks, which would in turn demand funds from central reserve city banks.
5. If a central reserve or reserve city bank did not have enough cash to meet the demand, the entire system would collapse, and the economy would not have enough cash available to meet the economy's needs.
6. No mechanism was in place to create additional cash, and a cash crisis would occur.
7. Banking crises such as these occurred in 1873, 1884, 1893, and 1907.

8. The panic of 1907 led to the formation in 1908 of a bipartisan congressional body, the **National Monetary Commission (NMC)**.

9. The NMC's report set the stage for the Federal Reserve Act of 1913:

- a. a decentralized
- b. adaptable banking system and monetary authority
- c. that could avoid these crises by providing the currency necessary to meet the economy's needs

b. OVERVIEW

1. The Federal Reserve System is the central banking system of the United States, popularly called the Fed.

2. It is a central bank, which serves as the banker to both the banking community and government

3. It also issues the national currency (Federal Reserve Notes), conducts monetary policy, and plays a major role in the supervision and regulation of banks and bank holding companies.

4. These functions are the responsibilities of key officials of the Federal Reserve System, which is made up of a **Board of Governors**, located in Washington, D.C., and **12 district Federal Reserve banks**, located throughout the nation.

5. The Federal Reserve's basic powers are concentrated in the Board of Governors, which is paramount in many policy issues concerning bank regulation and supervision and in most aspects of monetary control.

6. The board announces the Fed's policies on both monetary and banking matters.

7. Because the board is not an operating agency, most of the day-to-day implementation of policy decisions is left to the district Federal Reserve banks, stock in which is owned by the commercial banks that are members of the Federal Reserve System.

8. Ownership in this instance, however, does not imply control; the Board of Governors and the heads of the Reserve banks orient their policies to the public interest rather than to the benefit of the private banking system.

9. The U.S. banking system's regulatory apparatus is complex. The Federal Reserve shares authority in some instances—for example, in approving bank mergers or in examining banks—with other federal agencies such as the Office of the Comptroller of the Currency and the Federal Deposit Insurance Corporation (FDIC).

10. In the critical area of regulating the nation's money supply and influencing interest rates in accordance with national economic goals, however, the Federal Reserve is independent within the government.

11. This independence is partially ensured by the fact that the income and expenditures of the Federal Reserve banks and of the Board of Governors are not subject to the congressional appropriation process; the Federal Reserve is self-financing.

c. STRUCTURE

1. Commercial Banks

- a. At the base – or bottom - of the Federal Reserve System are the member commercial banks.
- b. All national, or federally chartered, banks are required to join the system; membership of state-chartered institutions is voluntary.
- c. Members have to purchase stock in their district Federal Reserve bank in the amount of 6 percent of their capital, and get the right to vote for six of the nine directors of that district bank.
- d. Stock ownership does not convey control or the financial interest normally attached to stock in a corporation.
- e. The stock may not be sold or used as collateral and must be returned to the district reserve bank if the commercial bank ceases to be a member.

2. 12 District Banks

- a. The 12 district reserve banks are located in the following cities: Boston, Massachusetts; New York City; Philadelphia, Pennsylvania; Cleveland, Ohio; Richmond, Virginia; Atlanta, Georgia; Chicago; St. Louis; Minneapolis, Minnesota; Kansas City, Missouri; Dallas, Texas; and San Francisco, California.
- b. Each bank is formally responsible to a **nine-member board of directors**, which is divided into three classes. Class A and B directors are elected by the member banks; class C directors are appointed by the Board of Governors.
- c. The **board of directors** is responsible for the administration of its bank and for appointing the bank's president and vice president (subject to the approval of the Board of Governors).
- d. The directors also set the **discount rate**—that is, the interest rate charged to banks for borrowing from the Reserve banks—again, subject to review by the Board of Governors.
- e. Reserve banks implement the decisions made by the Fed's Board of Governors and by their own officers.
- f. Their staffs examine state member banks, decide on granting loans to members, and carry out the routine banking functions for the federal government.
- g. Sales and purchases of securities for the Federal Reserve System's own account are conducted by the Federal Reserve Bank of New York, which is also the operating arm for international financial activities.

3. Board of Governors in Washington D.C.

- a. At the top of the Federal Reserve System is the Board of Governors, which over the years has undergone significant change both in its responsibilities and its structure.

b. The 1913 act established a **seven-member Federal Reserve Board**, consisting of five presidential appointees, each from a different Federal Reserve district, plus the secretary of the treasury and the Comptroller of the Currency.

c. Terms of office for the appointees were initially set at ten years and were staggered, so that no two would end at the same time; board members could not be removed from office except for cause.

d. These provisions were meant to help insulate the presidential appointees from day-to-day politics. The board's powers, nevertheless, were confined to supervising the reserve banks, with **limited power over the discount rate** and little discretion over the structure of the banking industry.

e. The **Banking Act of 1935**, which also finalized the creation of deposit insurance and the FDIC, centralized power in a Board of Governors, and made all seven members presidential appointees with the advice and consent of the U.S. Senate; the president also appoints a governor to serve as Fed chairman for a four-year term.

f. The governors' terms were expanded to 14 years by the 1935 act, and their powers were also expanded.

1. For example, discount rates now had to be approved periodically by the board.

2. Sales and purchases of government securities—the open-market operation that previously had been managed solely at the discretion of the presidents of the reserve banks—were centralized in the Federal Open Market Committee (FOMC), consisting of the seven governors, the president of the Federal Reserve Bank of New York, and four other reserve bank presidents serving on a rotating basis.

g. Since 1935, Congress has given additional powers to the Board of Governors. These powers include control over mergers, bank holding companies, U.S. offices of international banks, and the reserves of all depository institutions.

3. Trusts

a. Wilson appears before Congress again early in 1914

b. **Federal Trade Commission Act of 1914**

1. backed by presidential authority
2. presidentially appointed Federal Trade Commission was to investigate businesses engaged in interstate trade and to crush monopoly by going after companies engaging in unfair trade practices,
 - a. unlawful competition
 - b. false advertising
 - c. mislabeling
 - d. bribery
3. could issue cease and desist orders.

c. **Clayton Anti-Trust Act (1914)**

1. strengthened old Sherman Act
 - a. outlawed price discrimination (charging different customers different rates for the same goods) that aimed at creating combinations to control
 - b. outlawed interlocking directorates
 - c. outlawed tying contracts
 - d. "combinations in restraint of trade" could no longer be used to be against labor or agricultural organizations.
2. Samuel Gompers (head of AF of L) called it the Magna Carta of Labor

4. Other Reforms

- a. **Federal Farm Loan Act of 1916:** farmers could get loans at low rates of interest--as the populist had wanted
- b. **Workingmen's Compensation Act of 1916:** granted assistance to federal civil-service employees during periods of disability.
- c. **Child Labor Law, 1916:** Act restricting the use of child labor on products flowing into interstate commerce, struck down by Supreme Court, which said it violated the right of children and employers to work and hire as they wished.
- d. **Adamson Act of 1916:** established an 8 hour day for all employees on trains in interstate commerce, with extra pay for overtime