Chapter Five

COUNTER-OFFENSIVE

THE great reform movement which was destined to fill the air with clamor, the statute-books with new legislation, and the hearts of financiers and industrialists with trepidation during the years between the Panic of 1907 and the war boom of 1915–16 was not a thing of sudden origin. To understand it, in fact, one must go far back beyond the bland days of 1900 and take note of the ferments which had been working during the preceding quarter century.

Of these ferments, the most potent had been the perennial discontent of the Western farmers. Marching out into a wide land of supposedly free opportunity, these farmers had found themselves surrounded by hostile circumstances. The era of subsistence farming with hand implements was drawing to a close; the era of money-crop farming with the aid of expensive machinery was beginning; for countless farmers this meant going into debt, which in turn meant coming under the sway of the local banker. In the deflation of the eighteen-nineties they suffered as debtors always do in deflations. Farmers who raised money-crops had to buy many goods and supplies which in a more primitive economy they would have raised or made for themselves, and the prices of these goods and supplies were often outrageously high. To ship their crops to distant markets they had to rely upon the railroads, many of which were scandalously managed for the profit of Eastern owners and manipulators and set their freight rates arbitrarily high. Hence there arose in the West a widespread and confused agitation against bankers, the gold basis of the currency, industrial monopolists, and above all the railroads: an agitation which in the eighteen-eighties had been chiefly responsible for the passage of such regulatory laws as the Interstate Commerce Act.

These farmers, being mostly property-owners, were not in any true sense enemies of capitalism, but where big business seemed to stand in their way they fought it tooth and nail. During the depression of the eighteenninetieth, their Populist Party became a formidable power in American politics from

South Carolina to the Dakotas and beyond—a strange and motley band, animated by a revivalist fury and organized by a curious assortment of leaders: hard-headed opponents of privilege, visionary intellectuals, and bewhiskered hayseed demagogues. Some of the measures proposed in the Populist platform of 1890 had looked toward fundamental changes in the control of economic processes: for example, public ownership of the railroads and of the telegraph and telephone systems. Before long, however, the Populists succumbed to a fate which has often overtaken radical groups: they pinned their chief hopes on a single measure which seemed a simple panacea for their ills, they attracted to the support of that measure a huge and unmanageable following, and when the measure was voted down their strength was dissipated. "Free silver," said Henry Demarest Lloyd, "is the cowbird of the reform movement." So persuasive was the silver argument when young William Jennings Bryan uttered it at the Democratic Convention in 1896 that the Democratic Party advocated it and thereby inherited most of the Populist strength. After the vociferous campaign of 1896 ended in a public repudiation of free silver, and after Bryan in 1900 chose imperialism as his major issue and was beaten once more, the conservative journals had good reason to gloat with triumph: the farmers' revolt was broken—for the time being.

Another element in the revolt against big business which preceded the reform movement of 1900–15 was the long uphill battle waged by organized labor to secure union recognition, better wages, and relief from vicious working conditions. At intervals the battle had been bloody, as during the days of the Haymarket bomb tragedy in Chicago in 1886, the Homestead strike of 1892, and the Pullman strike of 1894. Nearly always the odds were against labor. The vast majority of employers resisted unionism strenuously. Only a small percentage of the workers were organized. When they used their only effective weapon, the strike, they found the temptation to resort to violence (to prevent other men from taking their places) almost irresistible, and usually violence alienated the sympathies of the general public. The courts, reflecting the prevailing conservative opinion of the day, had come to the remarkable conclusion that the Sherman Anti-Trust Act and other almost moribund measures originally designed to curb the great industrial combinations might be invoked to curb organized labor; thus workmen on strike often found themselves facing injunctions, the police, and the militia.

Furthermore, their bargaining power was constantly being undermined by the annual influx into America of hundreds of thousands of immigrants. So long as there was still an open Western frontier, the plight of the laborer was mitigated by the hope of moving on to a new land of promise; but as the twentieth century dawned this outlet was closing.

In 1900 the strongest labor alliance, the American Federation of Labor, had 550,000 members; these mostly represented skilled crafts from which newcomers could be excluded. The Federation leaders, headed by the bespectacled, square-faced Jewish cigar-maker, Samuel Gompers, were mostly men of limited vision, sharp bargainers for practical advantage for their organizations; some of the lesser union leaders used dynamite as a means of persuasion; some were in secret alliance with employers (as in many rackets of later date). In the nature of things the majority of their followers were ignorant and undisciplined men, incompetent to understand and cope with the processes by which corporate power was being extended. Yet within the Federation and without, there burned a fierce resentment against the inhuman conditions prevailing in most industries—ten- and twelve-hour days, squalid and degrading slums and company villages, meager pay, utter insecurity, devious schemes for exploiting the worker through high rents in employer-owned houses and high prices in employer-owned stores. Under the pall of smoke which overhung the industrial towns this resentment was forever smouldering, and with it was allied the compassion of sympathetic men and women who felt that such conditions were a blot upon the face of America.

A third, though minor, element in the gathering ferment was the gradual importation and domestication of radical economic ideas of European origin, especially Marxian socialism. A fourth element was the influence of a number of widely circulated books of home-grown protest and challenge, of which perhaps the most seminal were Henry George's *Progress and Poverty* (published in 1879), Edward Bellamy's *Looking Backward* (published in 1887), Henry Demarest Lloyd's *Wealth Against Commonwealth* (published in 1894), and William H. Harvey's paper-covered manual of plausible monetary theory, *Coin's Financial School*. Young Robert LaFollette, borrowing a worn copy of *Progress and Poverty* from a Wisconsin blacksmith and gaining from it new assurance for his fight against privilege, was one of scores of future reformers whose thought was fertilized by one or the other of these books.

Such were the chief precursors of the reform movement. Along with them, and stimulated by them, went a subtle change in the attitude of innumerable men and women toward the American economy. We have seen how industries and financial operations had expanded in scope as if responding to a blind urge toward development on a national scale. This expansion was accompanied by a laggard and uncertain expansion in the individual sense of social responsibility—as if the democratic and humanitarian impulses were reluctantly feeling their way into the wider fields toward which the acquisitive impulse had broken a path. Timid and halting as was this social conscience when confronted by the interests of entrenched property, and almost imperceptibly as it undermined the traditional American belief in unregulated competition, it was a power of great potential force.

2

Of the men who did most to liberate this force in the early years of the twentieth century, some were governors or mayors, like LaFollette in Wisconsin, "Golden Rule" Jones of Toledo, and Tom Johnson of Cleveland; one of course, was President Theodore Roosevelt; and one, as it happened, was a magazine publisher.

Samuel S. McClure was not a reformer by nature; he was simply a shrewd editor looking for popular reading-matter in order to be able to apply to magazine publication the principle of mass-production. The respectable monthlies of the time were discreetly written, gorgeously illustrated, and far less interested in the sordid drama of economic survival than in the well-bred consideration of highways and byways of Old Provence and first folios of Shakespeare. The supremacy of these respectable monthlies had been challenged during the eighteennineties by Frank Munsey's cheap and easy magazines, which became hugely successful. McClure, agreeing with Munsey that in low prices and popular reading matter lay the best hope of success, but bringing to the editorship of his magazine an intelligence of a much higher order than Munsey's, looked about for subjects of lively consequence to ordinary men and women. With the instinct of a born journalist, he realized that there would be popular interest in unflinching accounts of contemporary business; and he set a young woman named Ida M. Tarbell to work on a history of the Standard Oil Company, and did not abandon the project even though her colossal research went on for five long years. As she was finishing her study of Rockefeller's business methods, Lincoln Steffens, another of McClure's writers, went to Missouri and unearthed the scandalous story of municipal graft in St. Louis. "Tweed Days in St. Louis" appeared in *McClure's* in October, 1902; the first installment of Miss Tarbell's chronicle appeared in November, 1902—roughly a year and a half after the formation of the Steel Corporation and the Northern Pacific Panic, and a little over a year after Theodore Roosevelt's arrival at the White House. The era of the muckrakers had begun.

Not that the reproof implied in the term muckraker—which was first used by Roosevelt in one of the moments when he was leaning to the right to keep his balance on the political tightrope—was deserved by McClure's writers. Miss Tarbell in her Standard Oil history and Steffens in his series of articles on "The Shame of the Cities" were thorough and conscientious reporters of fact, as were Ray Stannard Baker in his examination of railroad practices and labor-union corruption, and Samuel Hopkins Adams in his articles on patent-medicine frauds. It was not until the egregious Thomas W. Lawson, a copper-company promoter and stock-market plunger, feigned conversion to the ranks of the righteous and sold "Frenzied Finance" to *Everybody's Magazine*, and William Randolph Hearst turned a lurid light on Washington in David Graham Phillips's series in the *Cosmopolitan*, "The Treason of the Senate," that Roosevelt pinned his phrase to the journalists of exposure. By that time there was good reason for reproof. Already, however, the country had been astonished and shocked by a prodigious array of diligently reported financial and political scandals. One of the muckraking books, Upton Sinclair's *The Jungle*, actually had an immediate and practical legislative result: it caused the passage by Congress of a packing-house inspection bill and hastened the passage of a pure-food bill.

To these disclosures in books and magazines were added disclosures by investigating committees, such as that of the life-insurance scandals in New York by Charles Evans Hughes. It was in the autumn of 1905, when prosperity was fat in Wall Street and speculation was roaring, that Hughes—then almost unknown to the public—revealed some of the uses to which the life insurance companies had put their policyholders' funds. It appeared that officers of the companies and members of their families drew large salaries and expense-moneys and were able to rake in additional profits through the use of company funds in favored enterprises. It appeared that insurance companies kept inordinate deposits in banks in which their officers were financially interested, and that on the other hand they were much too closely allied with investment banking houses to find it easy to preserve the disinterested attitude of trustees. For instance, George W. Perkins was simultaneously a partner in J. P. Morgan & Co. and an officer of the New York Life; in his former capacity he had sold to himself in his latter capacity four hundred million dollars' worth of bonds of the struggling International Mercantile Marine—eighty million dollars' worth of which, oddly enough, had been taken back temporarily by the House of Morgan as the day approached when the books of the insurance company must be examined by the State. Hughes revealed the disbursement of huge sums for surreptitious lobbying purposes, as in the maintenance of a mysterious establishment in Albany jocularly known as the "House of Mirth"; he revealed also the payment of comfortably large retainers to Senators Chauncey Depew and David B. Hill.

Gasping with astonishment at what they read in books and magazines and in the newspaper reports of the Hughes inquiry and other investigations, a vast number of men and women who had hitherto known little and cared less about the methods of expanding industry and high finance and about the way in which political pressures were exerted, were driven to the conclusion that the American economy and American public affairs were due for a housecleaning on an Augean scale. Meanwhile in a number of cities and states the cleansing process was already under way: in Toledo, for instance, where Mayor "Golden Rule" Jones and his successor, Brand Whitlock, single-taxers and disciples of Henry George, had been fighting the street-railway and electric-light corporations; in Cleveland, where fat, smiling Tom Johnson, whom Lincoln Steffens called "the best mayor of the best-governed city in America," had battled for a three-cent fare and had got it; and above all in the state of Wisconsin, where little Governor Bob LaFollette, whose stormy pompadour crowned a very hard head, had been making an astonishing record for legislation to subject the railroads to regulation, to restore popular rule, and to improve the calibre of men in the public services of the state.

Labor was simultaneously gaining in strength. In the five years between 1900 and 1905 the American Federation nearly trebled in membership.

Socialism was growing: *The Appeal to Reason*, a Mid-Western socialist paper, had half a million readers by 1904. Debs, the Socialist candidate, had received less than a hundred thousand votes for President in 1900; four years later he received over 400,000. Big Bill Haywood's Western Federation of Miners, as fierce and uncompromising a labor organization as the country had ever seen, was on the rise. Early in 1905 Haywood and others met in Chicago and formed the International Workers of the World with the ringing declaration, "There is but one bargain that the I.W.W. will make with the employing class—*complete surrender of all control of industry to the organized workers*." And at the very end of the year 1905, just as the Hughes investigation was closing, the country had a terrifying glimpse of what uncompromising warfare on the part of a militant labor organization might involve. Frank Steunenberg, ex-governor of Idaho, who had once put down a miners' strike with the aid of colored soldiers, was blown to pieces by a bomb placed at his front gate.

Haywood and Moyer and Pettibone of the Western Federation of Miners were tried for the Steunenberg crime (and acquitted) in July, 1907. The trial —with William E. Borah serving as counsel for the prosecution and Clarence Darrow serving as counsel for the defense—was a national sensation. Even in New York, two thousand miles away, Fifth Avenue was jammed, one day in May, 1907, with thousands upon thousands of workmen marching to the thrilling music of the Marseillaise and carrying banners which announced their sympathy for Haywood. It was a sight to make financiers, looking down from the windows of their great houses and their comfortable clubs, more than a little uneasy. Not only reform appeared to be gathering headway, but proletarian revolt of the most aggressive and vindictive sort.

3

Throughout the early years of the reform movement the evolution of President Theodore Roosevelt was very significant, for he was its chief spokesman and exhorter and also a fairly reliable barometer by which to gauge its strength. As Henry Pringle has justly remarked, "The significance of Roosevelt's corporation activities lay in what he said rather than in what he did." Roosevelt was not in fact very much of a "trust-buster." During his seven and a half years in the White House, only twenty-five proceedings leading to indictments under the Sherman Anti-Trust Law were brought by the federal government; during the four years of the supposed conservative, Taft, forty-five were brought. In Roosevelt's first term, as we have seen, his chief onslaughts against the right of business to do as it pleased were his action against the Northern Securities Company and his insistence upon settling the anthracite coal strike of 1902; during the rest of the term his tendency was to play safe. Even during his second term he pushed to enactment few important measures designed to curb business: the only really vital one was the Hepburn Act, which permitted the Interstate Commerce Commission to regulate railroad rates.

Roosevelt's utterances, however—as distinguished from his acts—became steadily bolder during his second term, and furnished the urgent leit-motif for the whole reform movement. He opposed the use of the injunction in labor disputes, he asked for restriction of stock-market gambling, he advocated full publicity for corporate earnings and capitalization, he suggested in 1905 and definitely urged in 1907 the supervision by the federal government of all corporations engaged in interstate commerce; and he constantly lectured the irresponsible rich with furious emphasis. No one can recapture the feeling of those days without hearing in his mind's ear the loud Rooseveltian phrases echoing throughout the land with all the volume which Roosevelt's huge personal popularity and the sounding-board of Presidential prestige could give them: "malefactors of great wealth," "the tyranny of a plutocracy," "the kind of business which has tended to make the very name 'high finance' a term of scandal," "the speculative folly and flagrant dishonesty of a few men of great wealth," the need for "moral regeneration of the business world."

It is difficult, even after the lapse of many years, to view such a man as Theodore Roosevelt objectively. His bounding personality, his physical daring, his enthusiastic appetite for human contacts, his impetuous speech, his extraordinary range of interests, defy neutrality. The man was so enormously alive: not merely carrying the great administrative burdens of the Presidency, but denouncing nature-fakers, proposing simplified spelling, writing deliciously absurd letters to his children, clambering up cliffs in Rock Creek Park, devouring Tacitus and the prose works of Milton and thousands of other assorted books, announcing gleefully to John Burroughs his discovery of a yellow-throated warbler at Oyster Bay, writing voluminous letters to Trevelyan about the tactics of the generals of 1780, and inveighing against race suicide. To attempt a cold-blooded dissection of the policies of such a colossus of energy is like trying to make a precise working blueprint of a locomotive in full career. Yet the analysis of his economic position must be made if we are to understand the man, his influence, and his period.

Roosevelt knew little about economics. On matters like the tariff he accepted and repeated almost without question the traditional Republican arguments. The problems of banking and the currency were beyond him, and he knew it. He never seems to have made a careful study of the mechanics of corporate aggrandizement. The chief motive forces behind his economic policies and proclamations were, first, his wish to maintain the prestige of the government as sovereign even over the princes of finance; second, a natural and growing indignation at the process by which the rich expanded their already great power, corrupted governmental bodies to win privileges and immunities, bore down upon the laboring poor, and endangered the economic stability of the whole country by their speculative exploits; third, the political instinct for the middle of the road which kept him from going over all the way to the radical left,—an instinct buttressed by his conviction that only by staying in the middle of the road could he retain enough power to get anything done; and, finally, his overwhelming ethical bias, which led him to approach almost every problem with the animus of the "preacher militant" (to borrow Owen Wister's phrase).

When Roosevelt took action against the Northern Securities Company it was largely from the first of these motives: to serve notice that Washington was still lord over Wall Street. When after an indignant sally against the powers of finance he would compromise and dally and fail to translate rhetoric into action, it was partly because he was too furiously busy with a thousand things to follow one of them through to a conclusion, partly because he had never developed a thorough-going economic philosophy, partly because political reforms engaged his interest more than economic reforms, but largely also because he knew that he must not get too far out of step with a conservative (and lobby-infested) Congress, a conservative Republican party, and an almost equally conservative country. It was far easier for a man in such a situation to denounce Wall Street than to find out where lay the springs of its power and decide what to do about them. It was also more in accordance with his preacher's temperament. Predatory finance was wicked and must therefore be excoriated.

It is easy to criticize the man as a straddler, a big talker who backed away from a fight. Despite all his large talk about honesty and courage, it is true that Roosevelt was a master of the weasel word. It is not an elevating prospect to see him squirming out of an acknowledgment of his previous cordiality to Harriman in order to abuse Harriman in 1907 and maintain an appearance of consistency; or to see him dismissing LaFollette's policies as "a string of platitudes" and LaFollette himself as one who offered the public "the kind of pleasurable excitement" that would be derived from "the sight of a two-headed calf"—and then, later, adopting many of LaFollette's policies without adequate acknowledgment.

Nevertheless there was a practical hard sense behind much of Roosevelt's compromising which some latter-day critics may not have taken into sufficient account. Being a Republican President of the United States, he faced the necessity—as the more consistent LaFollette, for example, did not—of keeping in some sort of line the East as well as the West, the stockholding community as well as union labor. To have become the hard-and-fast enemy of the financial powers would have left him as helpless in dealing with Congress and the country as was Woodrow Wilson in 1920. And if Roosevelt took out most of his reforming impulses in talk, it is only fair to add that many of them could never have been carried through to action in that decade. The temper of the country, even in his second term, was such that measures which called for mild governmental restraints upon business were viewed by business men generally as violently destructive attacks upon American prosperity. Nor should it be forgotten that Roosevelt's sermonizing did much to relax that temper and open the way to legislation. If he kept in the middle of the road, he at least succeeded to a measurable degree in moving the road.

In many ways Roosevelt typified the whole reform movement: its insistence upon a rebirth of public spirit, its tendency to prescribe for symptoms, its preoccupation with political as distinguished from economic measures (its chief energies were thrown into the initiative and referendum, the direct election of Senators, the direct primary, and so forth). He typified it also in his wary attitude toward any fundamental economic change. For the reform movement was not, considered in the large, a fundamentally radical movement.

Most of the reformers did not wish to make any far-reaching alteration in the capitalist system. They saw that it had so grown and spread that the captain of industry had powers which he had never possessed before; they wished to limit these powers for the protection of his little competitor and his employee and his consumers. They saw that he had become a successful political wirepuller; they wished to take the wires out of his hands and restore them to the rest of the voters. They saw many cruel results of the unregulated power of acquisitive commerce; they wished to forbid by law the repetition of these results. To think of the reformers as wishing to set up a fundamentally new order in America is to see them in a false light. Most of them—LaFollette particularly—looked back with nostalgic longing to the old days of little business and free competition. What they wanted to do was to restore the supposed freedom of those days by shackling the big bullies who had spoiled it.

In a very true sense they were conservatives—old-fashioned individualists trying to preserve individual liberty by calling in the policeman to protect it. In this sense it was the financiers, the promoters, the corporation lawyers, who were the true radicals of the time: it was they—though they would have been the last to admit it—who were taking the initiative in revolutionizing the American economy.

It is a mistake to think of capitalism as a system, in the sense of something fixed: an ancient structure of laws and rules and technics and traditions. It is a living growth, watered by acquisitiveness and constantly putting out new branches as new devices for the accumulation of profits or of power are invented or as old devices are adapted to new uses. The reformers were engaged in pruning it, cutting it back, lopping off ugly and misshapen growths. That Roosevelt often thought of himself as a sort of tree-surgeon whose exploits with the saw (or, to be more accurate, whose strenuous sermons on the need for using the saw) would lengthen the tree's life, is clear from many of his statements; and there was much reason in this argument. The reformers as a group were tree-surgeons—and while they were hacking away, the tree was continuing to thrust out new shoots.

Conservative business men, however, did not see things this way. What they saw was a group of men with axes and Roosevelt cheering them on, and they feared that a venerable tree was going to be demolished.

Roosevelt was not without friends in Wall Street, but as his term of office drew to a close and his voice became more and more strident they became more and more bewildered and resentful.

"Theodore talks nonsense about Wall Street," wrote Major Higginson, the Boston banker, "where most of the men are honest—far honester than the politicians, who promise this or t'other for votes. He talks about the corporations as wicked, which means that the directors are wicked. I have known the inside of corporations for a great many years, and I have yet to see a director who has taken advantage of his position as director." (This was quite sincere and probably quite true: such things were not done where men like Higginson could see them.) The men in Wall Street saw Roosevelt's proposals for increased federal power over business as blows at the American principle of local self-rule, as measures which would submit the country to the dictates of cheap, bribe-taking politicians. They felt that he was posturing and blustering. They regarded him as dishonest for having accepted contributions from capitalists in 1904 and having denounced them subsequently. Many of them were completely convinced that his championship of the Hepburn Bill and his talk about rich men had brought on the Panic of 1907. They watched and waited uneasily as his term in the White House drew to a close, hoping for the day when his reproving voice would no longer carry Presidential authority.

When at last he left Washington and the vast and jovial bulk of William Howard Taft settled itself into the Presidential chair, most of the men of Wall Street would have echoed the remark popularly attributed to Pierpont Morgan as the Trust-buster sailed for his African hunting grounds: "I hope the first lion he meets does his duty!" Now at last there would be a chance for men to do business again, a chance for prosperity without governmental interference. (Things had been looking up since the dark days of 1907, but there was still uncertainty in the air.)

They were mistaken, however. The reform movement still had far to run.

4

During the next four years the reformers' counter-offensive made remarkable headway.

To imagine it to have been in any sense a united movement would of course be highly erroneous. As Hacker and Kendrick have well pointed out, in its ranks were "the conservationists, the settlement-house workers, the suffragists, the advocates of direct as opposed to machine government, the budget experts, the municipal reformers, the commission-government supporters, the advocates of workmen's compensation laws, mothers' assistance, and liberal factory codes.… And the reformers, very often, expressed not the slightest interest in one another's programs." It was "as though a great horde of people had suddenly become inspired by the same objectives and had simultaneously hit upon the idea of taking to the road." The politics of reform made strange bedfellows even in the supposedly homogeneous groups; in the innermost councils of Roosevelt's Bull Moose party, for example, sat the very George W. Perkins who had been simultaneously a Morgan partner and an officer in the New York Life Insurance Company. What was taking place was a complex and pervasive change in the intellectual and emotional atmosphere of America: the spread of a contagious desire to purify politics, win justice for the poor, protect the helpless, and subdue wickedness in general by statutes, regulations, and moral conversions.

Organized labor continued to surge ahead, though its prestige suffered a staggering blow in 1911 when two union leaders, the McNamara brothers, confessed that they had so far extended the arts of persuasion as to dynamite the building of the anti-labor Los Angeles *Times*. The toughly militant I.W.W. invaded the big industrial centers, reaching the height of its power in 1912 when it led the strikers in the textile mills of Lawrence to partial victory over a particularly blind and reactionary group of employers. In that year a socialist rival to Gompers won a third of the votes cast for the presidency of the A. F. of L., and Debs' vote for the Presidency of the United States was more than double what it had been in 1904 and 1908, running close to 900,000.

The reform movement was also giving a new shape to the contest between the two dominant political parties. This is no place to tell the familiar story of Roosevelt's triumphant return from Africa (where the lions had failed to do their duty); of his increasing impatience with his old friend and disciple, the all-too-compliant Taft; of his decision to run against Taft for the Republican nomination, his capture of most of the support which would otherwise have gone to LaFollette, his defeat by Taft in the Republican convention of 1912 as a result of the crushing performance of the political steam-roller; of his formation of a third party of miscellaneous reformers, idealists, bandwagonfollowers, and cranks; and of the inevitable result: the division of the Republican vote and the election of a Democrat, Governor Woodrow Wilson of New Jersey. Suffice it to remark that Wilson, too, was a reformer, though of another breed from either Roosevelt or LaFollette. The counter-offensive had won its way back to the White House, and with a mandate for action.

By the time of Wilson's inauguration in 1913, an extraordinary quantity of legislation, particularly state legislation, had already been enacted at the instance of the reforming spirit: political measures to bring about direct primaries, the popular election of United States senators, the initiative, and the referendum; measures for the protection of labor—such as workmen's compensation laws, laws regulating hours and conditions of work (especially for women and children), industrial safety laws, tenement-house laws, and the first state minimum-wage law; measures for the regulation of public-utility rates by state commissions; and measures for taxation on new principles—such as the income-tax amendment to the Constitution; to say nothing of the legislative progress from state to state of woman's suffrage—and of prohibition.

5

Still, however, the question of what to do about the extension of corporate power remained unanswered.

On this problem, counsel was confused and baffled.

To begin with, the status and interpretation of the Sherman Anti-Trust Law gave great difficulty. It forbade combinations in restraint of trade—but what was a combination in restraint of trade? The number of business combinations—principally through the medium of holding companies—had multiplied enormously. By 1908, according to LaFollette, their total capitalization had reached the vast sum of 31 billion dollars—nearly nine times what it had been in 1900. Would these hundreds of combinations be allowed to stand, or would they not?

The Supreme Court, which had interpreted the word "restraint" very broadly where labor unions were concerned, also seemed disposed for a time to interpret it broadly where corporations were concerned (a logical disposition, it may be remarked, since after all the law had been originally designed to apply to corporations and not to unions). This tendency caused much quaking in Wall Street, as did the activity of Taft's Department of Justice in bringing actions against some of the biggest combinations. (The list of the companies against which the Taft Administration acted included such giants of the industrial world as the American Sugar Refining Company, the International Harvester Company, the National Cash Register Company, the General Electric Company, and even the United States Steel Corporation.) When business, after an upsurge in 1909, declined again in 1910, a common explanation was that business leaders feared a general upsetting of the economic apple-cart. In 1911, however, the Supreme Court changed its position: it enunciated its famous "rule of reason." In the process of consenting to the break-up of the Standard Oil Company of New Jersey (the holding company which had fallen heir to much of the one-time power of the famous Standard Oil Trust), the Court stated that only "unreasonable" restraint of trade would be considered punishable under the Sherman Act.

But what was "unreasonable"? The Court did not adequately define the term. All one could be sure of was that whatever a majority of the nine justices of the Court considered reasonable in any given case would be permitted; whatever they considered unreasonable would be punished. Obviously the "rule of reason" did not dispel the fog which hung about the interpretation of the Sherman Act. It made only two things clear: first, that the Court intended, in effect, to exercise what had hitherto been considered a legislative prerogative, by revising the trust law to suit itself; and second, that the Court was on the whole disposed to look more kindly than heretofore upon the principle of combination, not penalizing it unless it was accompanied by flagrant acts.

Another source of confusion was the fact that although a large number of combinations had already been broken up by the government, they continued in most cases to operate virtually as units. A holding company might be duly dissolved and its stock might be distributed to the original owners, but if the men who managed the component companies had learned to work in concert and had found it profitable to do so, they would keep right on doing so in various hidden ways. What the hope of profitable operation had joined, man apparently could not put asunder.

But should the government any longer even attempt to put big combinations asunder?

Some of the reformers, hoping to restore the heyday of the little business man, thought it should. LaFollette's temperament, for example, drew him in this direction. In his *Autobiography*, published in 1913, LaFollette denounced Roosevelt for not having attacked all the combinations as soon as he entered the White House in 1901; and in his speech before the Periodical Publishers' Association at Philadelphia in February, 1912, LaFollette spoke of the necessity for "pulling down the false structure of illegal overcapitalization of the trusts." No wonder the prosperous men who heard the weary LaFollette stumble through that Philadelphia speech thought that he had lost his reason, for not only was it a confused performance—he was over-tired, and talked interminably and harshly, and apparently lost his place in his manuscript—but the "pulling down" which he recommended would have been enough to bring about a great panic, so pervasive and so long-continued had been the process of watering stock. Yet even in that speech LaFollette's logic was relentless. He held bravely to his convictions; he was no compromiser.

Roosevelt's attitude in these later years was different from LaFollette's. In the 1912 campaign, Roosevelt made it quite clear that he considered it too late to unscramble the economic omelette. He acknowledged that big business had come to stay, that attempts to break it up were futile. He contended that sheer size was not a crime, that only unfair acts ought to be prevented. He proposed to regulate the big corporations by a federal trade commission, and he made no bones of the need of a strong federal government to maintain supervision.

To some extent Roosevelt's objection to unscrambling the eggs may have been strengthened by an odd circumstance. It will be recalled that at the crisis of the 1907 panic, Gary and Frick had visited Washington to ask if Roosevelt had any objection to the purchase of the Tennessee Coal & Iron Company by the Steel Corporation, and Roosevelt had approved the purchase. When the Taft Administration, several years later, brought action against the Steel Corporation under the Sherman Act, one of the principal bases of its action was this very Tennessee purchase. The implication was that Roosevelt had had his leg pulled. Roosevelt resented this implication furiously; according to Mark Sullivan, it was the thing which made his break with Taft complete. Roosevelt was very human, and his ego often played a part in forming his opinions; possibly the incident which separated him from Taft also drew him subconsciously closer to the Steel Corporation and other huge concerns. He had approved the Tennessee purchase, therefore it must be all right, and other purchases like it must be all right. The argument may seem naïve, but that was the way in which Roosevelt's mind sometimes worked.

Similarly, Roosevelt's attitude toward the big corporations in 1912 may have been somewhat influenced by his desire to retain the good will of important financiers like Perkins. Perkins was for Roosevelt, Perkins was a fine fellow and a valuable ally, therefore the sort of business in which Perkins had been engaged must be all right.

But all this is conjecture. The Roosevelt attitude was at least realistic; and his insistence upon a strong federal agency of control harmonized with his continuing preference for a national government which could speak to Wall Street, as to everybody else, with unquestioned authority.

Wilson arrived at much the same conclusion as Roosevelt, though the color of his philosophy was different. Wilson approached the problem of business concentration as an old-fashioned believer in the rights of the small business man and in the merits of competition. Being a Democratic candidate, Wilson also talked a good deal about states' rights, suggesting that the states ought to undertake much of the work of business regulation. As Governor of New Jersey, in fact, he gave a demonstration of what a state might do: he secured the passage of new corporation laws which withdrew—for a time—the special privileges which had made New Jersey the favorite spawning-ground for holding companies. This was a genuine move to control combination at its source. But in developing his federal program, Wilson found the pressure of facts stronger than either the theoretical un-desirability of the big combination or the theoretical preferability of state action. He, too, was driven to acknowledge that "the old time of individual competition is probably gone by," that it was hopeless to make war against sheer bigness, that the thing to do was to make war against monopolistic practices, that the states were helpless to cope with the larger combinations, and that the answer was therefore a federal trade commission: in short, a stronger federal government, willy nilly.

In fact, one of the oddest things about the campaign of 1912, as one looks back upon it a generation later, is the close agreement between Wilson and Roosevelt on the subject of big business. A voter who heard the Colonel deride and denounce the Princeton professor's policies would have supposed that the two men were miles apart; but their programs were almost identical, as indeed were some of the key phrases in their economic addresses.

These programs gave striking testimony (as did the Supreme Court's rule of reason) to the amount of water which had flowed under the bridge since 1900. The reformers were able to curb business in scores of places remote from its great centers of authority—regulating rates charged for services, regulating conditions of employment and pay, methods of competition, and so forth; but their two chief leaders now virtually admitted that the process of combination was irresistible.

The odds, they had learned, were all with the big capitalists. If one state withdrew its license to organize holding companies, the promoters simply sought out another state; not unless all states acted in concert would the competition in laxity end. After a big combination was set up, the state governments could make only a poor botch at regulating it; and even the federal government could hardly keep up with the rapid advance of the legal technic of circumvention. The corporation lawyers were always two jumps ahead of the Department of Justice.

Again, to harass the big corporations after they were once organized and engaged in business was to fill the whole economic world with a sense of insecurity: all drastic reform is deflationary. The process of combination could only be hedged about with restrictions, it could not be stopped. And even to hedge it about, the government had to add new bureaus, new staffs, new costs of operation. Wall Street and higher taxes both had fate on their side.