

economic and commercial conditions changed first, and were noticeably modified by 1910; the group of secondary characteristics of the system were changed by the events of the First World War. As a result, the system of early international financial capitalism is now only a dim memory. Imagine a period without passports or visas, and with almost no immigration or customs restrictions. Certainly the system had many incidental drawbacks, but they were incidental. Socialized if not social, civilized if not cultured, the system allowed individuals to breathe freely and develop their individual talents in a way unknown before and in jeopardy since.

Chapter 6—The United States to 1917

Just as Classical culture spread westward from the Greeks who created it to the Roman peoples who adopted and changed it, so Europe's culture spread westward to the New World, where it was profoundly modified while still remaining basically European. The central fact of American history is that people of European origin and culture came to occupy and use the immensely rich wilderness between the Atlantic and the Pacific. In this process the wilderness was developed and exploited area by area, the Tidewater, the Piedmont, the trans-Appalachian forest, the trans-Mississippi prairies, the Pacific Coast, and finally the Great Plains. By 1900 the period of occupation which had begun in 1607 was finished, but the era of development continued on an intensive rather than extensive basis. This shift from extensive to intensive development, frequently called the "closing of the frontier," required a readjustment of social outlook and behavior from a largely individualistic to a more cooperative basis and from an emphasis on mere physical prowess to emphasis on other less tangible talents of managerial skills, scientific training, and intellectual capacity able to fill the

newly occupied frontiers with a denser population, producing a higher standard of living, and utilizing more extensive leisure.

The ability of the people of the United States to make this readjustment of social outlook and behavior at the "ending of the frontier" about 1900 was hampered by a number of factors from its earlier historical experience. Among these we should mention the growth of sectionalism, past political and constitutional experiences, isolationism, and emphasis on physical prowess and unrealistic idealism.

Three Major Geographic Sections Arise in U.S.

The occupation of the United States had given rise to three chief geographic sections: a commercial and later financial and industrial East, an agrarian and later industrial West, and an agrarian South. Unfortunately, the two agrarian sections were organized quite differently, the South on the basis of slave labor and the West on the basis of free labor. On this question the East allied with the West to defeat the South in the Civil War (1861-1865) and to subject it to a prolonged military occupation as a conquered territory (1865-1877). Since the war and the occupation were controlled by the new Republican Party, the political organization of the country became split on a sectional basis: the South refused to vote Republican until 1928, and the West refused to vote Democratic until

1932. In the East the older families which inclined toward the Republican Party because of the Civil War were largely submerged by waves of new immigrants from Europe, beginning with Irish and Germans after 1846 and continuing with even greater numbers from eastern Europe and Mediterranean Europe after 1890. These new immigrants of the eastern cities voted Democratic because of religious, economic, and cultural opposition to the upper-class Republicans of the same eastern section. The class basis in voting patterns in the East and the sectional basis in voting in the South and West proved to be of major political significance after 1880.

Major Changes in Government Occur in 1830

The Founding Fathers had assumed that the political control of the country would be conducted by men of property and leisure who would generally know each other personally and, facing no need for urgent decisions, would move government to action when they agreed and be able to prevent it from acting, without serious damage, when they could not agree. The American Constitution, with its provisions for division of powers and selection of the chief executive by an electoral college, reflected this point of view. So also did the use of the party caucus of legislative assemblies for nomination to public office and the election of senators by the same assemblies. The arrival of a mass democracy after 1830 changed this situation, establishing the use of party conventions for nominations and the use of entrenched political party machines, supported on the patronage of public office, to mobilize sufficient votes to elect their candidates.

Forces of Finance and Business Grow in Wealth and Power

As a result of this situation, the elected official from 1840 to 1880 found himself under pressure from three directions: from the popular electorate which provided him with the votes necessary for election, from the party machine which provided him with the nomination to run for office as well as the patronage appointments by which he could reward his followers, and from the wealthy economic interests which gave him the money for campaign expenses with, perhaps, a certain surplus for his own pocket. This was a fairly workable system, since the three forces were approximately equal, the advantage, if any, resting with the party machine. This advantage became so great in the period 1865-1880 that the forces of finance, commerce, and industry were forced to contribute ever-increasing largesse to the political machines in order to obtain the services from government which they regarded as their due, services such as higher tariffs, land grants to railroads, better postal services, and mining or timber concessions. The fact that these forces of finance and business were themselves growing in wealth and power made them increasingly restive under the need to make constantly larger contributions to party political machines. Moreover, these economic tycoons increasingly felt it to be unseemly that they should be unable to issue orders but instead have to negotiate as equals in order to obtain services or favors from party bosses.

The U.S. Government Was Controlled by the Forces of

Investment Banking and Industry

By the late 1870's business leaders determined to make an end to this situation by cutting with one blow the taproot of the system of party machines, namely, the patronage system. This system, which they called by the derogatory term "spoils system," was objectionable to big business not so much because it led to dishonesty or inefficiency but because it made the party machines independent of business control by giving them a source of income (campaign contributions from government employees) which was independent of business control. If this source could be cut off or even sensibly reduced, politicians would be much more dependent upon business contributions for campaign expenses. At a time when the growth of a mass press and of the use of chartered trains for political candidates were greatly increasing the expense of campaigning for office, any reduction in campaign contributions from officeholders would inevitably make politicians more subservient to business. It was with this aim in view that civil service reform began in the Federal government with the Pendleton Bill of 1883. As a result, the government was controlled with varying degrees of completeness by the forces of investment banking and heavy industry from 1884 to 1933.

A Group of 400 Individuals Mobilize Enormous Wealth and Power

This period, 1884-1933, was the period of financial capitalism in which investment bankers moving into commercial banking and insurance on one side and into railroading and heavy industry on the other were able to mobilize enormous wealth and wield enormous economic, political, and social power. Popularly known as "Society," or the "400," they lived a life of dazzling splendor. Sailing the ocean in great private yachts or traveling on land by private trains, they moved in a ceremonious round between their spectacular estates and town houses in Palm Beach, Long Island, the Berkshires, Newport, and Bar Harbor; assembling from their fortress-like New York residences to attend the Metropolitan Opera under the critical eye of Mrs. Astor; or gathering for business meetings of the highest strategic level in the awesome presence of J. P. Morgan himself.

Big Banking and Business Control the Federal Government

The structure of financial controls created by the tycoons of "Big Banking" and "Big Business" in the period 1880-1933 was of extraordinary complexity, one business fief being built on another, both being allied with semi-independent associates, the whole rearing upward into two pinnacles of economic and financial power, of which one, centered in New York, was headed by J. P. Morgan and Company, and the other, in Ohio, was headed by the Rockefeller family. When these two cooperated, as they generally did, they could influence the economic life of the country to a large degree and could almost control its political life, at least on the Federal level. The former point can be illustrated by a few facts. In the United States the number of billion-dollar corporations rose from one in 1909 (United States Steel, controlled by Morgan) to fifteen in 1930. The share of all corporation assets held by the 200 largest corporations rose from 32 percent in 1909 to 49 percent in 1930 and reached 57 percent in 1939. By 1930 these 200 largest corporations held 49.2 percent of the assets of all 40,000 corporations in the country (\$81

billion out of \$165 billion); they held 38 percent of all business wealth, incorporated or unincorporated (or \$81 billion out of \$212 billion); and they held 22 percent of all the wealth in the country (or \$81 billion out of \$367 billion). In fact, in 1930, one corporation (American Telephone and Telegraph, controlled by Morgan) had greater assets than the total wealth in twenty-one states of the Union.

The Influence and Power of the Morgan and Rockefeller Groups

The influence of these business leaders was so great that the Morgan and Rockefeller groups acting together, or even Morgan acting alone, could have wrecked the economic system of the country merely by throwing securities on the stock market for sale, and, having precipitated a stock-market panic, could then have bought back the securities they had sold but at a lower price. Naturally, they were not so foolish as to do this, although Morgan came very close to it in precipitating the "panic of 1907," but they did not hesitate to wreck individual corporations, at the expense of the holders of common stocks, by driving them to bankruptcy. In this way, to take only two examples, Morgan wrecked the New York, New Haven, and Hartford Railroad before 1914 by selling to it, at high prices, the largely valueless securities of myriad New England steamship and trolley lines; and William Rockefeller and his friends wrecked the Chicago, Milwaukee, St. Paul, and Pacific Railroad before 1925 by selling to it, at excessive prices, plans to electrify to the Pacific, copper, electricity, and a worthless branch railroad (the Gary Line). These are but examples of the discovery by financial capitalists that they made money out of issuing and selling securities rather than out of the production, distribution, and consumption of goods and accordingly led them to the point where they discovered that the exploiting of an operating company by excessive issuance of securities or the issuance of bonds rather than equity securities not only was profitable to them but made it possible for them to increase their profits by bankruptcy of the firm, providing fees and commissions of reorganization as well as the opportunity to issue new securities.

Control of Political Parties in America

When the business interests, led by William C. Whitney, pushed through the first installment of civil service reform in 1883, they expected that they would be able to control both political parties equally. Indeed, some of them intended to contribute to both and to allow an alternation of the two parties in public office in order to conceal their own influence, inhibit any exhibition of independence by politicians, and allow the electorate to believe that they were exercising their own free choice. Such an alternation of the parties on the Federal scene occurred in the period 1880-1896, with business influence (or at least Morgan's influence) as great in Democratic as in Republican administrations. But in 1896 came a shocking experience. The business interests discovered that they could control the Republican Party to a large degree but could not be nearly so confident of controlling the Democratic Party. The reason for this difference lay in the existence of the Solid South as a Democratic section with almost no Republican voters. This section sent delegates to the Republican National Convention as did the rest of the country, but, since these delegates did not represent voters, they came to represent those who were prepared to pay their expenses to the Republican National Convention. In

this way these delegates came to represent the business interests of the North, whose money they accepted. Mark Hanna has told us in detail how he spent much of the winter of 1895-1896 in Georgia buying over two hundred delegates for McKinley to the Republican National Convention of 1896. As a result of this system, about a quarter of the votes in a Republican Convention were "controlled" votes from the Solid South, not representing the electorate. After the split in the Republican Party in 1912, this portion of the delegates was reduced to about 17 percent.

The Monetary Tactics of the Banking Oligarchy

The inability of the investment bankers and their industrial allies to control the Democratic Convention of 1896 was a result of the agrarian discontent of the period 1868-1896. This discontent in turn was based, very largely, on the monetary tactics of the banking oligarchy. The bankers were wedded to the gold standard for reasons we have already explained. Accordingly, at the end of the Civil War, they persuaded the Grant Administration to curb the postwar inflation and go back on the gold standard (crash of 1873 and resumption of specie payments in 1875). This gave the bankers a control of the supply of money which they did not hesitate to use for their own purposes, as Morgan ruthlessly pressurized Cleveland in 1893-1896. The bankers' affection for low prices was not shared by the farmers, since each time prices of farm products went down the burden of farmers' debts (especially mortgages) became greater. Moreover, farm prices, being much more competitive than industrial prices, and not protected by a tariff, fell much faster than industrial prices, and farmers could not reduce costs or modify their production plans nearly so rapidly as industrialists could. The result was a systematic exploitation of the agrarian sectors of the community by the financial and industrial sectors. This exploitation took the form of high industrial prices, high (and discriminatory) railroad rates, high interest charges, low farm prices, and a very low level of farm services by railroads and the government. Unable to resist by economic weapons, the farmers of the West turned to political relief, but were greatly hampered by their reluctance to vote Democratic (because of their memories of the Civil War). Instead, they tried to work on the state political level through local legislation (so-called Granger Laws) and set up third-party movements (like the Greenback Party in 1878 or the Populist Party in 1892). By 1896, however, agrarian discontent rose so high that it began to overcome the memory of the Democratic role in the Civil War. The capture of the Democratic Party by these forces of discontent under William Jennings Bryan in 1896, who was determined to obtain higher prices by increasing the supply of money on a bimetallic rather than a gold basis, presented the electorate with an election on a social and economic issue for the first time in a generation. Though the forces of high finance and of big business were in a state of near panic, by a mighty effort involving large-scale spending they were successful in electing McKinley.

Money Power Seeks to Control Both Political Parties

The inability of plutocracy to control the Democratic Party as it had demonstrated it could control the Republican Party, made it advisable for them to adopt a one-party outlook on political affairs, although they continued to contribute to some extent to both

parties and did not cease their efforts to control both. In fact on two occasions, in 1904 and in 1924, J. P. Morgan was able to sit back with a feeling of satisfaction to watch a presidential election in which the candidates of both parties were in his sphere of influence. In 1924 the Democratic candidate was one of his chief lawyers, while the Republican candidate was the classmate and handpicked choice of his partner, Dwight Morrow. Usually, Morgan had to share this political influence with other sectors of the business oligarchy, especially with the Rockefeller interest (as was done, for example, by dividing the ticket between them in 1900 and in 1920).

The Growth of Monopolies and the Excesses of Wall Street

The agrarian discontent, the growth of monopolies, the oppression of labor, and the excesses of Wall Street financiers made the country very restless in the period 1890-1900. All this could have been alleviated merely by increasing the supply of money sufficiently to raise prices somewhat, but the financiers in this period, just as thirty years later, were determined to defend the gold standard no matter what happened. In looking about for some issue which would distract public discontent from domestic economic issues, what better solution than a crisis in foreign affairs? Cleveland had stumbled upon this alternative, more or less accidentally, in 1895 when he stirred up a controversy with Great Britain over Venezuela. The great opportunity, however, came with the Cuban revolt against Spain in 1895. While the "yellow press," led by William Randolph Hearst, roused public opinion, Henry Cabot Lodge and Theodore Roosevelt plotted how they could best get the United States into the fracas. They got the excuse they needed when the American battleship Maine was sunk by a mysterious explosion in Havana harbor in February 1898. In two months the United States declared war on Spain to fight for Cuban independence. The resulting victory revealed the United States as a world naval power, established it as an imperialist power with possession of Puerto Rico, Guam, and the Philippines, whetted some appetites for imperialist glory, and covered the transition from the long-drawn age of semi-depression to a new period of prosperity. This new period of prosperity was spurred to some extent by the increased demand for industrial products arising from the war, but even more by the new period of rising prices associated with a considerable increase in the world production of gold from South Africa and Alaska after 1895.

America's entrance upon the stage as a world power continued with the annexation of Hawaii in 1898, the intervention in the Boxer uprising in 1900, the seizure of Panama in 1903, the diplomatic intervention in the Russo-Japanese War in 1905, the round-the-world cruise of the American Navy in 1908, the military occupation of Nicaragua in 1912, the opening of the Panama Canal in 1914, and military intervention in Mexico in 1916.

The Birth of the Progressive Movement

During this same period, there appeared a new movement for economic and political reform known as Progressivism. The Progressive movement resulted from a combination of forces, some new and some old. Its foundation rested on the remains of agrarian and

labor discontent which had struggled so vainly before 1897. There was also, as a kind of afterthought on the part of successful business leaders, a weakening of acquisitive selfishness and a revival of the older sense of social obligation and idealism. To some extent this feeling was mixed with a realization that the position and privileges of the very wealthy could be preserved better with superficial concessions and increased opportunity for the discontented to blow off steam than from any policy of blind obstructionism on the part of the rich. As an example of the more idealistic impulse we might mention the creation of the various Carnegie foundations to work for universal peace or to extend scholarly work in science and social studies. As an example of the more practical point of view we might mention the founding of *The New Republic*, a "liberal weekly paper," by an agent of Morgan financed with Whitney money (1914). Somewhat similar to this last point was the growth of a new "liberal press," which found it profitable to print the writings of "muckrakers," and thus expose to the public eye the seamy side of Big Business and of human nature itself. But the great opportunity for the Progressive forces arose from a split within Big Business between the older forces of financial capitalism led by Morgan and the newer forces of monopoly capitalism organized around the Rockefeller bloc. As a consequence, the Republican Party was split between the followers of Theodore Roosevelt and those of William Howard Taft, so that the combined forces of the liberal East and the agrarian West were able to capture the Presidency under Woodrow Wilson in 1912.

The Establishment of the Income Tax and the Federal Reserve System

Wilson roused a good deal of popular enthusiasm with his talk of "New Freedom" and the rights of the underdog, but his program amounted to little more than an attempt to establish on a Federal basis those reforms which agrarian and labor discontent had been seeking on a state basis for many years. Wilson was by no means a radical (after all, he had been accepting money for his personal income from rich industrialists like Cleveland Dodge and Cyrus Hall McCormick during his professorship at Princeton, and this kind of thing by no means ceased when he entered politics in 1910), and there was a good deal of unconscious hypocrisy in many of his resounding public speeches. Be this as it may, his political and administrative reforms were a good deal more effective than his economic or social reforms. The Clayton Antitrust Act and the Federal Trade Commission Act (1913) were soon tightly wrapped in litigation and futility. On the other hand, the direct election of senators, the establishment of an income tax and of the Federal Reserve System, and the creation of a Federal Farm Loan System (1916) and of rural delivery of mail and parcel post, as well as the first steps toward various laboring enactments, like minimum wages for merchant seamen, restrictions on child labor, and an eight-hour day for railroad workers, justified the support which Progressives had given to Wilson.

The Wilson Administration

The first Administration of Wilson (1913-1917) and the earlier Administration of Theodore Roosevelt (1901-1909) made a substantial contribution to the process by which the United States redirected its aim from extensive expansion of physical frontiers to an intensive exploitation of its natural and moral resources. The earlier Roosevelt used his

genius as a showman to publicize the need to conserve the country's natural resources, while Wilson, in his own professorial fashion, did much to extend equality of opportunity to wider groups of the American people. These people were so absorbed in the controversies engendered by these efforts that they hardly noticed the rising international tensions in Europe or even the outbreak of war in August, 1914, until by 1915 the clamorous controversy of the threat of war quite eclipsed the older domestic controversies. By the end of 1915 America was being summoned, in no gentle fashion, to play a role on the world's stage. This is a story to which we must return in a later chapter.

Part Three—The Russian Empire to 1917

Chapter 7—Creation of the Russian Civilization

In the nineteenth century most historians regarded Russia as part of Europe but it is now becoming increasingly clear that Russia is another civilization quite separate from Western Civilization. Both of these civilizations are descended from Classical Civilization, but the connection with this predecessor was made so differently that two quite different traditions came into existence. Russian traditions were derived from Byzantium directly; Western traditions were derived from the more moderate Classical Civilization indirectly, having passed through the Dark Ages when there was no state or government in the West.

Russian civilization was created from three sources originally: (1) the Slav people, (2) Viking invaders from the north, and (3) the Byzantine tradition from the south. These three were fused together as the result of a common experience arising from Russia's exposed geographical position on the western edge of a great flat-land stretching for thousands of miles to the east. This flat-land is divided horizontally into three zones of which the most southern is open plain, while the most northern is open bush and tundra. The middle zone is forest. The southern zone (or steppes) consists of two parts: the southern is a salty plain which is practically useless, while the northern part, next to the forest, is the famous black-earth region of rich agricultural soil. Unfortunately the eastern portion of this great Eurasian plain has been getting steadily drier for thousands of years, with the consequence that the Ural-Altaic-speaking peoples of central and east-central Asia, peoples like the Huns, Bulgars, Magyars, Mongols, and Turks, have pushed westward repeatedly along the steppe corridor between the Urals and the Caspian Sea, making the black-earth steppes dangerous for sedentary agricultural peoples.

The Slavs first appeared more than two thousand years ago as a peaceful, evasive people, with an economy based on hunting and rudimentary agriculture, in the forests of eastern Poland. These people slowly increased in numbers, moving northeastward through the forests, mixing with the scattered Finnish hunting people who were there already. About A.D. 700 or so, the Northmen, whom we know as Vikings, came down from the Baltic Sea, by way of the rivers of eastern Europe, and eventually reached the Black Sea and attacked Constantinople. These Northmen were trying to make a way of life out of militarism, seizing booty and slaves, imposing tribute on conquered peoples, collecting furs, honey, and wax from the timid Slavs lurking in their forests, and