

The Evolution of U.S Private and Public Relations from 1865 to 1929

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Preface

The United States has a long history of public and private relations. What is meant by the relationship between public and private is the connection between the government, which represents the public interest, with the private, which can be identified in my thesis as elements of society and business. We begin this analysis in 1865, which is an important year as it marks a series of related events. 1865, marks both the end of the American Civil War, a war which divided the country, and the beginning of the industrialization in the U.S. In the first chapter, we analyze this period in U.S history known as the Gilded Age. The Gilded Age, which coincide with the beginning of Reconstruction, was a period characterized by massive industrialization and urbanization. During this time frame, Corporations and other forms of business, such as Trusts, started to emerge and control entire sectors of the economy causing widespread issues in society. Together with corporations other private entities such as Political Machines, consolidated there powers in the new urban setting of large cities, and like corporations, conducted illegal operations to fraud city treasuries. Both Trusts and Political machines became major issues in society leading to a series of movements both political and societal calling for reform. In response, the federal government decided to act and passed a series of reforms, although mostly ineffective, to contrast the abusive powers of both corporations and political machines. In chapter 1 we analyze the push of various elements of society for legislation, and how the federal government, in response to societies call, emanated laws to contrasts the abusive powers of corporations and political machines alike.

With the turn of the century, these ideals of regulation and government intervention in private matters became ever more urgent. In response to the many unsolved issues, especially in the area revolving around corporate law, a new group of individuals known as progressives emerged out of the middle class, to strengthen the wave of reform and further tie together public and private matters. In chapter 2, we analyze how key progressives such as Roosevelt and Wilson further strengthened the position of the Federal government in dealing with matters regarding corporate regulation and civil service reform. Important aspects of progressivism are the battle against large monopolistic corporation, exemplified by Roosevelt's trustbusting in the cases of Standard oil Co. and Northern Securities Co., and the need to create a new foreign policy in order to render the United States a global superpower amble to compete with Europe. With regards to this last point, it is important to note how the government and business became interlinked due America's expansion both economically and territorially in Latin America and East Asia. Thus, in chapter 2, we can see how the government

evolves into having closer relationship with element of both society and business with the intent of becoming the dominate power both domestically and internationally.

Lastly we briefly analyze, in Chapter 3, the period revolving around the stock market crash and the Franklin D. Roosevelt presidency. This period is particularly important as the relationship between public and private becomes ever more entangled into solving the economic crises. With Roosevelt's administration, the U.S enacts a series of legislations interconnecting government and business, as well as, public and private interests. With the New Deal, further government regulations were enacted, as well as, new institutions to monitor and provide aid to society, which to this day still exist and continue to operate.

Chapter 1

U.S Public and Private Relations Towards the end of the 19th Century

1.0 Introduction to the Chapter

Before analyzing the process the United States undertook in forging the current balance and pacification between private and public sphere, we shall look at the 19th century to understand the issues that lead to a strong response by the government. In section 1.1, we shall examine, broadly, the Industrialization period and the Gilded Age, and briefly examine the major issues of this period. In section 1.2, we shall look at a more detailed perspective in early corporation law in the United States to understand the early roots of corporation and how they rose to prominence in the late 19th century. Section 1.3, will analyze in much more detail the various political issues and actors during the end of the 19th century and beginning of the 20th century, as well as, the various social movement in shaping major regulatory legislation. Lastly section 1.4, will look at the end of the century and the new origins and role of the so-called “new middle class” in giving the impulse for the reform movement of the early 20th century.

1.1 The Industrial development during the Gilded Age of America

"... no country can be well governed unless its citizens as a body keep religiously before their minds that they are the guardians of the law and that the law officers are only the machinery for its execution, nothing more." – Mark Twain, *The Gilded Age*, 1873

When understanding the complex history around the relationship between the U.S government and the various agents of society, we must look at the period that stretches from 1865 to around 1900 known as the Gilded Age. The Gilded Age is a period in U.S history where government, society, politics and economy experienced a radical change that would mark the United States in years to come. This period, situated after the Civil War, marked the start of the Industrialization and Urbanization process in the United States, characterized by huge advancements in technology, high influx of migrants in the cities and the formation, expansion and strengthening of big business known as corporations and/or "Trusts". The period also marked the beginning of many social and political issues such as rampant corruption, at all levels of government, and widespread inequality and poverty as a direct consequence of the abuse of power by a number of wealthy private entities. Such social and political issues would ,in years, push the federal government to enact legislation to control and enforce limitations on the extent these private entities could operate in the market. As we shall see, the Gilded Age and its positive and negative outcomes had a significant impact in the relationship between government and society.

With the end of the Civil War, the United States experienced a massive industrialization process followed by rapid urbanization. The Industrial drive in the United States was mainly attributed to investment in number of emerging sectors, such a railroads, coal mining, steel production and oil. The railways was one of the most important and significant sectors in the process of industrialization in the US. Railways had the potential of connecting large distances of land in a short amount of time, making travel and distribution of goods easier and in a more efficient manner. Since the 1860s, many miles of railways were constructed in the U.S leading up to the construction of the Transcontinental railway in 1869, which was able to connect New York and San Francisco. As the United States government incentives this process through land grants, many Northeastern and foreign investors, especially from Great Britain, started to pour money in the railroad industry leading to the enlargement and consolidation of a few corporations or wealthy tycoons in controlling the sector. A notable railroad magnate was Cornelius Vanderbilt, who, through his New York railroads and his

notoriety for anti-competitive practices, built a fortune in his life time. As in the Railroad sector, other sectors too were becoming dominated by a handful of large corporations known as “Trusts” which due to their complex organization, unmanly practices and anti-competitive behavior became very much despised by society as a whole. Prominent examples are Rockefeller’s Standard Oil, which developed a monopoly over all stages of production and distribution of oil, U.S Steel, formed by J.P Morgan after the acquisition of Carnegie Steel, The American Tobacco Co. and the many railway tycoons, such as Vanderbilt, which monopolized entire parts of the American railway sector.

With the development of this strong industrialization concentrated on large business, the demand for modern urbanized cities and factory labor force had to be met. In large cities in the Northeast and Midwest, new factories and railways were being built and need for labor force led to a sharp increase in immigration to the U.S from many European countries such as Germany, Ireland and Italy. In-between the Civil War and World War I, 25 million immigrants arrived and settled in the United States mainly in large cities such as New York and Chicago¹. With such a sudden sharp influx of migrants, these unprepared cities suffered huge numbers of displaced people and a general lacking of efficient public services. As a consequence, diffused poverty and inequality led to widespread crime and ethnic tension between Nativist, Americans of British, Welsh and Scottish descent, and newly settled immigrants coming from Europe.

This unfavorable environment led to the strengthening of entities such as political machines, which through promises of employment and fast citizenship procedure for immigrants, exploited the migrant vote to maintain public offices and skim large amounts of money from big cities in the Northeast and Midwest.

Large corporations, such as the ones mentioned above, contributed their share to inequality and poverty in both large cities and the countryside. In the Northeast and Midwestern United States, with factories and corporation getting larger, the gap between worker and employer became larger, such that, labor became a commodity, which according to the interests of these large business and corporations, was bought at the lowest cost possible². Low wages, risky and lengthy working hours, absence of worker protection laws and higher rent, caused by the rapid urban development in the cities, led to widespread discontent among railroad and factory workers. Increasing discontent led to a wave of massive strikes and boycotts against steel and railway corporations, which in response,

¹ Boorstin, Daniel J., and Brooks M. Kelley. *A History of the United States*. Ginn & Co., 1981. pp 365-266

² Wiebe, Robert H. *The Search for Order: 1877-1920*. Hill and Wang, 1967. pp 91

hired private security firms, such as the Pinkerton Detective agency, or called on the President on of the United States for the deployment of military troops to put down strikers.

The Pullman strike of 1894 is a prominent example of how corporation had the power to influence the federal government; President Cleveland under the pressure of George Pullman, railway industrialist from Chicago, sent American troops to stop strikers from obstructing railways after the Pullman Company had undermined wages following the panic of 1893 but maintained high rents. This decision made by President Cleveland, in complete disregard of the previous decision of Illinois Governor John P. Altgeld to let the strike go on, led to the deaths of more than 70 railroad workers.³ Other similar situations happened throughout the 19th century such as the Great Railroad strike of 1877 and Homestead strike of 1892 both resulting in numerous deaths of workers.

Similarly in the Western and Southern United States, farmers and merchants experienced issues with the railroad corporations that where expanding in those regions. The main issues in these regions was the price rates of railroads, that due to the monopoly of certain large railway companies over entire railroad lines, increasing price fixing was common and many farmers and merchants had no way but to accept the increase in fares if they had to travel or export there products. This lead to a phenomenon called the Granger Movement which was made up of mostly Western farmers in an attempt to boycott the railroad companies and pass legislation, later known as the “Granger laws”. Such laws had to effectively control the power of these railroads companies in price fixing and other anticompetitive practices but where easily disregarded in time.

³ Wiebe, *The Search for Order*, pp 91-93

1.2 Early Corporation law

Since its beginning, U.S corporate law has always been primarily handled by states laws. What governs the formation, governance, structure, objective and operation, as well as other major details of the corporation, is what is called a Corporate Charter. Since the colonial period up until 1791, only thirty-two businesses received corporate charters from the American states. Many of the early corporate charters that were released were given to provide transport infrastructure for the construction and operation of channels and bridges.⁴ Other early corporations that obtained a corporate charter included water companies, banks, insurance companies and manufacturing companies.

The reason for so few incorporations during the 18th century and throughout the beginning of the 19th century was that the process to obtain a corporate charter was a special legislative act granted by state legislature. The process of obtaining a corporate charter under a special legislative act had issues of partisanship, whereas to obtain a charter a person had to be politically connected. Moreover, in this period, corporations became instruments of furthering political power of the parties, which at the time were the conflicting Democratic-Republican party and the Federalist party. The ways in which politics affected early corporation chartering is best exemplified by how public officials, during the period, could and where the majority shareholders of these early corporations. Moreover, another important impact in early incorporation was the frequent changes in the legislature, in regards to political majorities.

⁴ Lamoreaux, Naomi R., and William Novak. *Corporations and American Democracy*. Harvard University Press, 2017, pp 40

	Occupation		Assessed Wealth (means)	
	Population (%)	Stockholders (%)	Population	Stockholders
Artisan	39	17	735	2,093
Merchant	18	59	2,803	3,505
Professional	2	2	1,388	1,125
Public official	2	8	1,924	5,828
Retail	11	13	1,288	2,494
Services	23	1	377	—
Other	5	0	659	—
All (mean)			1,287	3,247
All (median)			569	1,875

Figure 1 Source: Hilt, Eric, and Jacqueline Valentine. "Democratic Dividends: Stockholding, Wealth and Politics in New York, 1791-1826." *Journal of Economic History* 72, no. 2, pp. 332–363.

As we can see in Fig. 1, in 1791, the majority of stockholders of corporations were public officials, with many being U.S senators, State governors and secretaries of the federal governments, such as Alexander Hamilton, who at the time large sums of money in corporation stocks⁵. Furthermore, as previously mentioned, different party majorities in legislature controlled many of these corporations and to maintain influence, obstructed the incorporation of new corporations that were influenced by other parties. Such case can be exemplified by how the Federalist party in the New York legislature, which founded and dominated the Bank of New York, outright opposed attempts made by the Democratic-Republican party to form their own bank.⁶ In addition, early corporations that obtained incorporation where granted special privileges or monopoly franchises to operate in exclusivity for the production of certain goods or service, rendering these early corporation "quasi-monopolistic" entities.⁷

⁵ Lamoreaux & Novak. Corporations and American democracy. pp 45

⁶ Lamoreaux & Novak. Corporations and American democracy. pp 44

⁷ Lamoreaux & Novak. Corporations and American democracy. pp 41

With the turn of the century, corporation law started to become more liberalized.⁸ As the industrialization process of the United States was advancing rapidly, an expansion in incorporation was needed to produce service in expanding cities like New York. Many more corporations obtained charters between 1801-1810 and nearly double in 1811-1820. By 1830, 4,492 business had been incorporated in the United States, with states like New York on top of the incorporation process.⁹ Moreover, many of the privileges that old corporation enjoyed, such as protection from competition, slowly started to disappear, with many legislatures starting to reject this notion.

With this rapid liberalization in incorporation, in the early 19th century, many states started to pressure for general incorporation statues which would gradually restrict or eliminate the power of the legislature in granting corporate charters. The idea of general incorporation statutes, was to standardize the contents of the charter and uniform the terms so that the process of incorporation could bypass the political influence of the legislature. Having excluded the legislature it was also possible to eliminate the special privileges attached to the incorporation through special acts, thus giving the possibility to more businesses to get incorporated.¹⁰ Slowly most states started adopting general incorporation law and abandoning the special acts of the states legislature to obtain incorporation.

In the full midst of industrialization in the United States around 1860, corporate law experienced further change in the area regarding general incorporation acts. After the Civil war ended and the Reconstruction and Gilded age went underway, the United States witnessed a sudden increase in incorporation. According to British economist Leslie Hannah, In the period between 1860-1915, corporation rose from 30,000 in 1860 to 300,000 in 1915¹¹(Hannah, p.653-699). This explosion was due to an increased need in public service and new business opportunities in sectors such as railways construction, steel production and later oil.¹² In this period, to incentivize the industrialization process in the United States, many states started to evaluate the possibility of liberalizing general incorporation for businesses, that beforehand were under a more “strict” regime of general incorporation. The first states that adopted more liberal general incorporation laws were New Jersey and Delaware, which, more than everyone were in need of more corporations to expand public services in their growing cities and generate revenue for the state.¹³ The new flexibility in general incorporation law in these two states, especially New Jersey, had as main objective the aim of

⁸ Lamoreaux & Novak. Corporations and American democracy. pp 46

⁹ Lamoreaux & Novak. Corporations and American democracy. pp 47

¹⁰ Lamoreaux & Novak. Corporations and American democracy. pp 53

¹¹ Leslie, Hannah, “Corporations in the US and Europe 1790-1860,” *Business History* 56, no. 6 (2014): 865-899

¹² Lamoreaux & Novak. Corporations and American democracy pp.90

¹³ Lamoreaux & Novak. Corporations and American democracy. pp 90

attracting corporations from other states to charter in in New Jersey and Delaware(Lamoreaux p.90). Other important liberalizations in there charter process was that corporations in New Jersey and Delaware could operate across state lines without limitations and were allowed to merge with other corporations and determine their capital, lines of business, internal governance structure, all without the explicit permission from the state.¹⁴ The main and more sinister issue with this vision of a more “liberal” general incorporation law was also the main issue regarding corporations empowerment and abuses during the majority of the Gilded age. As New Jersey, and other states, started to liberalize general incorporation under those conditions mentioned above, many corporations started substantial consolidations where a dominant firm in a sector, or a number of large firms or conglomerates, started buying up competitors and turning the envisioned dream of competition without corruption or interference of any nature, in a number of large monopolies who destroyed competition in their respective sectors of business.¹⁵ The phenomenon of “monopolistic” trusts, which we will discuss in chapter 2 in more detail, started to increase, with a prevalent number of them being incorporated in New Jersey, New York and Delaware.¹⁶ According to scholar Jessica Hennessey and John Joseph Wallace, co-authors in Noemi Lamoreaux and William Novak’s book *Corporations and American Democracy*, New Jersey and other states started to compete in creating more liberal general incorporation law and engaging in a “race to the bottom”, meaning that progressively standards and conditions were lowering. Slowly but worrying, this large firms started to request special provisions in there charters to operate across state line and furthermore own stock of other corporations domiciled elsewhere, limiting furthermore competition and creating a more sophisticated financial and governance network.¹⁷

As we shall examine later, this “race to the bottom” and empowerment of Large corporations will create enormous societal and political problem. As large firms will abuse their wealth and power and lead to recessions and general inequality and poverty among society, many groups will pressure the federal government to act against trusts and other large monopolistic corporations. In the next section we shall discuss, with examples such as the passing of the Sherman antitrust act of 1890, the federal government attempt to assert itself over large corporations although with some setbacks.

¹⁴ Lamoreaux & Novak. *Corporations and American democracy*. pp 90

¹⁵ Lamoreaux & Novak. *Corporations and American democracy*. pp 93

¹⁶ Lamoreaux & Novak. *Corporations and American democracy*. pp 93

¹⁷ Lamoreaux & Novak. *Corporations and American democracy*. pp 95

1.3 Late 19th century American Politics and Society

When we speak of late 19th century American politics and society we refer to the period starting from the 1880s up until the last years before the turn of the 20th century. This lapse of time is particularly interesting as the relation between society and politics strengthened, as many issues that characterized the beginning of the century start to be more pressing. As society becomes more vocal in pressuring the government as regulators in many internal affairs, especially in regards to the private sector, we gradually see the strengthening of the Federal government.

During the late stages of the 19th century, society and politics underwent a mutual change. Many societal matters, in this specific moment of time, became also important affairs in politics. Tariffs policy on import duties, monetary policy, interstate commerce, civil service reform and corporate regulation were key issues in both society and politics that characterizing the late stage of the Gilded age.¹⁸

Politics in the late stage of the 19th century was mostly divided on the issues of tariffs, monetary policy and civil service reform. Tariff policy was a heated issue in congress between Democrats and Republicans with both parties having different views on tariffs on import duties. The 1888 Democratic presidential candidate Grover Cleveland was in favor of lowering tariffs in import duties as he stated that “all unnecessary taxation is unjust taxation”, his Republican opponent Benjamin Harrison, on the other hand, supported high tariffs. The divide between the two parties was motivated on the Republican side, to protect American labor and business against foreign competition whilst Democrats, with their low tariff policy wanted to further international trade. Throughout the last years of the 19th century, Republican and Democratic governments would constantly change tariff policy with legislation, such as the democratic backed Wilson-Gorman Tariffs act, which slightly lowered tariffs, as well as, the Tariff Act 1890 which replaced the Wilson-Gorman act and raised tariffs again.

Another important political issue of the late 19th century was monetary policy in the United States. During those years due to rampant speculation, especially in the railroad sector, and overdependence on European investment brought from 1873 to 1877 a period of financial depression as foreign investment started to fade and prices started to fall. Soon, deflation and financial hardships started to impact heavily on the banking sector, leading to economic downturn. To solve this deflationary issue, many options divided both parties: from returning to the Gold Standard, to issuing an emergency unbacked currency known as Greenbacks¹⁹ The main political divide, though, lied in the “free silver”

¹⁸ Boorstin & Kelley. *A History of the United States*. pp 385

¹⁹ Wiebe. *The Search for Order*. 6

debate. The “free silver” movement was aimed at monetizing silver to increase the monetary supply, as federal backed gold was scarce, and increase prices, that would inevitably lead to inflation. This solution was particularly favored by: the Democrats, in a later stage, Republican “Silverites”, a splinter group of the Republican party and the borrowing classes, such as farmers from the Midwest and South. Moreover, in the final years of the 19th century it would also be central issues supported by the Populist party.²⁰ Most Republicans, major creditors, such as banks and large business, “Gold” Democrats and most Western states opposed “Free Silver” as they preferred the more secure gold standards. In particular, the Western states, where the silver mining industry was particularly profitable, were key opposers of the “Free Silver” campaign as the monetization of silver could potentially reduce the price.²¹

Lastly, the civil service reform was also an important political issue to be reformed. Since the beginning of the Jackson presidency, the main way to award government offices was through patronage or better known as the “spoils system”. The “spoils system” was a way in which government offices were chosen based on affiliation and contribution to party politics. Thus, when a new administration would seize power, the majority party, based on the level of contributions given by certain individuals, would give these individuals public offices without any minimum qualifications or prior experiences in government. This system was particularly stressed in the cities and within urban politics, as the figures of political machines and their political bosses had total control in job allocation and skimmed substantial amounts of money out of city budgets. Political Machines such as the Democratic party’s Tammany Hall in New York, were political organization aimed at recruiting support in exchange of incentives. In section 1.1 we briefly talked about political machines in regards to the exploitation of European immigration, but the major issue with these political entities was the skimming of public money and the consequent lack of public utility, in large cities, due to the rampant corruption undertaken by Political Machines. The working of political Machines was aimed at controlling urban politics, like city halls, through the recruitment of generally poor citizens, that in exchange of their vote, would receive benefits such as employment or other economic incentives. After controlling urban politics, political machines would then allocate public procurement to businesses close to them, determining the price for the public works disproportionately to service required to fulfil it, and receiving a percentage of the profit. It is estimated that Tammany hall’s political boss William Tweed, between 1866-1871, skimmed over 100 million dollars out of city budget, most notably, by the disproportionate construction cost of the New York

²⁰ Boorstin & Kelley. *A History of the United States*. pp 286

²¹ Boorstin & Kelley. *A History of the United States*. pp 286

County Court house which reached 13 million dollars, which in today's money would be over 180 million dollars.²²

The main solution to political machines was by revitalizing civil service, the system in which public offices are chosen through public concourse and merit. In congress, civil service reform became an issue that would fracture congress, as many politicians were placed by political machines. The Republican party, for example, was divided into two groups that fought over the issues patronage. The Half-Breeds and Stalwarts, were two splinter groups of the Republican party each with a different idea on civil service. The former opposed patronage and favorer of civil service reform and meritocracy , whilst the latter opposed reforming the system.²³ With the Arthur presidency, the first sign of reform against patronage would take form in the 1883 Pendleton act , a weak law but effective in revitalizing the Civil Service Commission. The Pendleton act would also list certain government jobs as “classified”, meaning that to fill the job a competitive examination had to be won and forbade the appointment and removal of public officials and civil

American Society, in the late 19th century, was similarly affected by a multitude of issues. In this period, we have the emergence of numerous organization which pressured the government such as: the Knights of Labor, the various Granger movements and farmer alliances, as well as, the Nationalist Club , which would all later diverge in the Populist movement. The emergence of many of these organization was in relation to the issues experienced by a certain category of society, such as the working class or the farmers, in an attempt to reform certain aspects of society, mainly in the field of weak regulation against large businesses and government abuses. Moreover, we can see how the Federal government in the period between 1880 to 1900 started to pressure and pass legislation to meet the demands of these emerging groups, which culminated in two important acts: The 1887 Interstate Commerce act, to regulate interstate commerce, and the 1890 Sherman antitrust act aimed at cracking down on large business.

At this point in time, private and public relations where strained as large firms where evermore abusing their power and dealing in anticompetitive practice due to weak government regulations. The classes most affected by the actions of large business were the working class in the Northeast and Midwest, as well as, the farmers of Southern and Midwestern United States.

In regards to labor, the first organization to arise was the Knights of Labor, a collection of local workers associations aimed at protecting their associates against large business abuses such as low

²² Boorstin & Kelley. *A History of the United States*. pp 370

²³ Boorstin & Kelley. *A History of the United States*. pp 389

wages and high rent. The leadership of the Knights of Labor was concentrated in the figure of the Grand Master Workman which throughout the years, from its rise to prominence to its decline, was characterized in the figure of Terence Powderly. The main action undertaken by the knights was through boycott and strikes at the expenses of large corporations, most notably, the Homestead strike of 1892, against Carnegie Steel, saw the knights as having a pivotal role in the fight for unionization of steel workers.²⁴

The major political step in combatting the abuses made by large corporation was with the passing of the Sherman anti-trust act of 1890. This law was intended to combat large trusts but due to its wording, the act, at times, became quite controversial and its application doubtful.²⁵ The passing of the Sherman anti-trust act was aimed at punishing large corporation who engaged in anticompetitive practice, which the act described as a “restraint of trade and commerce”. The definition of the violation provided by the act was considered vague, as well as, in the case of its application, the Sherman act would be rarely applied throughout the 19th century, or applied not against large corporations but rather on labor organizations which by striking or boycotting were “restraining commerce”.²⁶

Another setback from the original aim of the Sherman act was the decision made by the Supreme court in the 1895 case *United States v. E.C Knight Co.*, also known as the “*Sugar Trust Case*”. In this case, E.C Knight, a large sugar manufacturing company, was perused under the Sherman antitrust act for controlling 98% of the nation’s sugar refining. the decision of the Supreme court further undermined the application of the Sherman anti-trust act by making a distinction in application of the act in regards of “manufacturing” and “commerce”. As E.C Knight was a manufacturing corporation, the Supreme court ruled not guilty, as, according to its decision, manufacturing fell beyond the scope of the act and thus not a reason for legal consequences under the Sherman act.²⁷

Similarly to labor, farmer and merchants in the South and Midwestern United States, experienced similar problems with another monopolistic sector: railroads. During the late stages of the 19th

²⁴ Boorstin & Kelley. *A History of the United States*. pp 394

²⁵ Wiebe. *The Search for Order*. 52

²⁶ Papke, David Ray. *The Pullman Case: The Clash of Labor and Capital in Industrial America*, University Press of Kansas, Lawrence, Kan., 1999, pp. 35–37.

²⁷ Boorstin & Kelley. *A History of the United States*. pp 393

century, Granger movements and farmers alliances started to emerge to pressure the states and federal government in regulating railroad rates. The main issue in railroad fares, was that railroads pools and trusts manipulated the fixation of the price of rates at anti-competitive levels. Thus, farmers and merchants, already strained by the deflation of the late 1800s, had to borrow money to pay for the high railroad shipping rates.²⁸ The Granger movement, was able to pass the so called “Granger laws” at states level as an important step to further regulate the railroad industry. The main step towards regulation, though, arrived in 1887 with the passing of the Interstate Commerce Act, as pressures from Granger movements Farmer alliances became more persistent. This act, had the precise scope of targeting the railroad industry by outlawing discriminatory practices such as price discrimination and pooling. Moreover, the Interstate Commerce act created the Interstate Commerce Commission(ICC), a federal regulatory body which was tasked with monitoring railroads in compliance with new regulation and fixate railway fares. The ICC was also important as its creation marked the first industry subject to federal regulation and with a regulatory body to enforce it²⁹.

Towards the end of the 19th century many of these movements, both labor and agrarian, would consolidate in the new Populist movement and later party. Populism included moderate reformers, socialists, nationalist and more extreme anarchists such as Henry Demarest Lloyd.³⁰ The program supported by populist had as main aim the reformation of society by fighting against government corruption and large monopolies. Some of their ideas included: nationalizing railways, telegraphs and telephone, free coinage of silver to stimulate inflation, shorter working days and direct election of senators.³¹ Though initially very popular, especially in the South and West, and by becoming the third party in the 1892 election, the populist party would slowly start to vanquish and after the 1900 election disappear. As the populist and democrats, such as presidential candidate William Jennings Bryan, concentrated more on the free coinage of silver, many investors and businessman started to fear the possibility of such legislation to be approved. In reaction to that, Mark Hanna and many other prominent businessman and wall street bankers, most notably, J.P Morgan, started to heavily finance the presidential campaign Republican nominee William McKinley, who strongly supported “Sound money” and the Gold Standard.³² Moreover, the populist party faced also internal disarray as many issues, such as segregation, had divided the populist movement in different regional factions.

²⁸ Boorstin & Kelley. *A History of the United States*. pp 394

²⁹ U.S. National Archives and Records Administration. Washington, D.C. "Our Documents: Interstate Commerce Act (1887)."

³⁰ Wiebe. *The Search for Order*. pp 98

³¹ Boorstin & Kelley. *A History of the United States*. pp 396

³² Wiebe. *The Search for Order*. pp 104

When analyzing these political and societal issue it is important to understand the divide between Democratic and Republican parties, as well as, internal factionalism such as the “Silverite” Republicans and the “Gold” Democrats or the Stalwart and Half -breeds which exemplified the ramified state of American politics in the late 19th century. Divided politics also meant a general difficulty in passing key legislation to regulate sectors such as urban politics and industry. Secondly, another important factor was how private entities influenced the outcome in these major debates. In the tariffs issue, the contribution of large firms and labor organizations helped to influence policy in favor of protectionism and high duties on imports.³³ Similarly, during the 1896 election between Republican nominee William McKinley and the Democratic-populist William Jennings Bryan, mainly based on the debate on the coinage of silver, the donations and support of large business and banks, most notably, Mark Hannah, demonstrated the impact of these organizations in politics, with the decisive victory of business-endorsed McKinley and the defeat and disappearance of populism and further attempts to coin silver.³⁴As the 1900 election saw a blowing defeat for the democratic and populist front and a decisive victory of the Republican party and the large firms that supported it, the reform movement would not disappear so easily. Where workers and farmers had fail to reform U.S, soon a growing class, the new middle class, made up of lawyers, doctors and academia, would emerge and take the reform movement to its next phase.

³³ Boorstin & Kelley. *A History of the United States*. pp 393

³⁴ Boorstin & Kelley. *A History of the United States*. pp 400

1.4 The End of the 19th century and the rise of the “New” Middle Class.

With the final years of the 19th century, an important social phenomena emerged which would revolutionize society in the century to come: the consolidation of a “new” middle class. The rise of this “new” middle class was mainly influenced by the scientific and academic developments of the industrialization era and would include a “new” class of professionals, mainly in the fields of medicine, academia, law, but later including also farming, industry, labor and public offices. The growth of the “new” middle class was due to newfound, early 20th century, values of professionalism and scientific management which fostered meritocracy and efficiency against the previous system of inborn “aristocratic” privilege in those fields.³⁵

Professionalism was the main driver of the “new” middle class. The move to professionalism in many fields such as medicine or law, was driven by many innovations and science discoveries that were taking place around the world in the late 19th century. If we look at medicine for example, the new innovation in the fields of treatments for diseases such malaria or the scientific revolution brought about by Pasteur in genetics and micro-biology, set the path to implement these new innovation in society. Staying the field of medicine, new organizations or association started to form, as many doctors started to uniform to modern medicine and wanted to create a homogenous framework to educate in there sector. The American Medical Association(AMA), which already existed since 1846 but with weak participation, saw a rapid increase in membership driven by the expansion in the medical field and a newfound interest in the subject.³⁶From 1901 to 1910, the AMA membership increased from 8,400 members to 70,000 in 1910.³⁷ It is important to note how in the medical field, the expansion of professionalism, brought reforms and innovation in public policy. Dr. Herman Biggs, pioneer of public health, exemplified this convergence between the middle class and public policy. After joining the New York City board of health, Briggs introduced diagnostic tests for cholera in 1892 and later also experimented with diphtheria vaccination, as well as, introducing an ordinance for physicians that required them to report basic information on cases of tuberculosis, given a strong impulse for modern medicine and public health.

Similarly, the field of law, was an important expansion in the late 19th century. As the admission to the practice became decentralized and democratized, many new lawyers started to emerge. In the 1870s, many lawyers started to organize in the cities and states and form bar associations, which would later umbrella in the American Bar Association in 1878. The expansion in the field of law was

³⁵ Wiebe. *The Search for Order*. pp 115

³⁶ Wiebe. *The Search for Order*. pp 115

³⁷ Wiebe. *The Search for Order*. pp 115

mainly the result of an increasing quality of education and expansion of curriculums, with many new subjects such as economics, government and sociology being included in the legal framework. Moreover, Professionalization rapidly expanded in the field of law with many states, following the New York example, reforming their admission to practice process by adopting central examining boards made up of skilled lawyers. Bar Association rose from 16 in 1880 to 623 local and 48 state bar associations in 1916.³⁸

Economic organization also started to form following the wave of professionalization experienced in the fields of law and medicine previously. By 1900, many businessmen started to form their own associations resulting in the creation of local chambers of commerce, boards of trade and manufacturing associations. Most notably, in 1912, the formation of The United States Chamber of Commerce became the embodiment of business interest in society. Parallel to business, labor also started to professionalize with new organizations such as the American Federation of Labor, which would develop a new model of business unionism, based on the values of efficient management of union's affairs and a newfound interpretation of organized labor position in the industrial society. Ideas such as contract inviolability, inevitability of industrial concentration and practical sovereignty of management became all core values of this new professionalized class of laborers and craftsmen.³⁹

An important aspect of this "new" middle class was its relation to politics. Political divide did not hold a monopoly over this group, as the new self-conscious and rational doctor or lawyer was immune to political partisanship and compulsive identification. On the contrary, the "new" middle class was interested in shaping reform by participating in interest group politics to become involved in the legislative process. As many of the components of the new middle class became experts in their sectors; politicians became increasingly favorable in involving these professionals in drafting new legislations and policies with the aim at improving efficiency in a specific sector.

Thus many sectors started to implement bureaucratic management. another important contribution to efficiency supported by these new middle class. From urban administration, to industrial economy, as well as, many other sectors such as agriculture and labor; bureaucratic management had the objective to improve efficiency in a rational manner, and combat favoritism and incompetence. Bureaucratic management was deeply influenced by the ideas of pragmatism and Hegelian idealism which prioritized an approach made up of practical and systematic collective work in order to achieve efficiency.⁴⁰ Bureaucratic thought would soon influence both urban political reform, by advancing

³⁸ Wiebe. *The Search for Order*. pp 117

³⁹ Wiebe. *The Search for Order*. pp 125

⁴⁰ Wiebe. *The Search for Order*. pp 151-152

complex procedural principles for proper administration of government, and the economic-industrial complex in creating an efficient system that would produce maximum returns for minimum expenditure in time and effort.⁴¹

⁴¹ Wiebe. *The Search for Order*. pp 149,155

1.5. Chapter Conclusion

The 19th century was an important stage for public and private relations in the United States. In section 1.1, we outlined the setting of the industrialization and gilded age of America and looked at a number of political and societal issues during the second half of the century. Section 1.2, was dedicated at analyzing the origins of corporations and trusts, as well as, the drawbacks that characterized early corporation law in regulating these organizations. Section 1.3 was dedicated at examining key societal and political divisions, such as civil service reform and economic regulation ,as well as, major legislations such as the Pendleton act, Sherman anti-trust act and the Interstate Commerce act. Finally, in last section, we discussed the rise of the “new” middle class and its ideas of professionalism and bureaucratic management that would lead to the creation of many interest groups in society that would further legislative reform.

To conclude the importance of this chapter was to give a first glance at post-reconstruction America. The rapid industrial and urban growth, the various political and societal issues and the first wave of reformers are all key elements in understanding the next phase of U.S history characterized by the emergence of progressivism and a new set of reforms to regulate public and private interests.

Chapter 2

The transformation of Public/Private relations in the Progressive Era

2.0 Introduction to the Chapter

With the beginning of the 20th century, U.S public and private relations underwent a radical change brought by what now we identify as the Progressive Era. In this chapter we shall discuss the importance of the progressive era, which spanned from 1900 to approximately the end of World War One. In section 2.1, we shall discuss the origins and beliefs of the progressive movement. Section 2.2 shall be dedicated to the T. Roosevelt administration and the early progressive reforms. Section 2.3, will examine corporate regulation under the progressives and the first “trustbusting” cases of Northern Securities and Standard oil . Section 2.4, shall be dedicated to progressive ideals of developing the United States as a foreign power and the ambition of becoming an international superpower. Lastly, section 2.5 will conclude this chapter on progressivism by examining the Wilson administration and the Democratic-progressive reform.

2.1 What is progressivism?

Progressivism was an American political movement, around the turn of the 20th century, interested in sociopolitical reform to curb rampant political corruption, caused by political machines, and limit the influence of large corporations.¹ This movement found its roots in the “new” middle class, discussed in the previous chapter, as many of its members and supporters belonged to that social category. Politically, progressivism was politically interchangeable and independent, meaning that it did not hold any political partisanship or affiliation, with examples such as the Republican-progressive President Theodore Roosevelt and President William Taft, as well as, President Woodrow Wilson and Secretary William J. Bryan representing Democratic progressivism. Progressivism was also a very heterogeneous movement with different forms of progressivism responding to urban, rural and state issues. Thus, we identify different types of progressivism namely in: urban progressivism, rural progressivism and state progressivism with distinct actors and issues but united in the goal of reforming society and politics.

Urban progressives were mostly the embodiment of the “new” middle class. This category of progressivism responded to the urban needs of expanding service and public utility which suffered and were lacking due to widespread corruption and defrauding of local government at the hands of powerful political machines and their business associates. Thus, this category of urban reformers identified their goals in the expansion and broadening of civil service, new utility regulation and incrementation of research bureaus; all effective tools to combat the urban inefficiency and degradation brought about by political machines.² Urban progressives would also advocate for new laws protecting labor affairs and incentivizing education.³ To combat political machines and their abuses, urban progressives would make use of a combination of legislation and investigative journalism to disenfranchise both political machines and anti-competitive businesses in the eyes of the public. The *Muckrakers*, where a category of journalist and novelist tending to progressive ideals. Through the use of their investigative newspaper articles, Muckrakers exposed the misconduct and abuses perpetrated by political machines and large corporations alike.⁴

¹ U.S. Department of State, U.S. Department of State, <https://2001-2009.state.gov/r/pa/ho/time/ip/108646.htm>.

² Wiebe, Robert H. *The Search for Order: 1877-1920*. Hill and Wang, 1967. pp 168

³ Wiebe, *The Search for Order*, pp 171

⁴ Boorstin, Daniel J., and Brooks M. Kelley. *A History of the United States*. Ginn & Co., 1981. pp 365-266

Muckraking journalism had a key role in helping urban reformers fight political machines. A prominent example was when Joseph W. Folk, governor of Missouri, which through the help of *McClure* journalist Lincoln Steffens, progressive muckraker, he exposed corruption in the city of St. Louis and lead a series of criminal investigation against political bosses, as well as, city and state corrupted officials.⁵ Another example was the San Francisco graft trails, where U.S attorney Francis J. Heney with the help of the *San Francisco Bulletin*, led a series of trails and convection against politicians, businessmen, labor leaders and political bosses all involved in a system briberies to obtain public contracts.⁶

State progressivism, was similar to urban progressivism but with a larger jurisdiction to reform. As urban progressives wanted to uniform reform, they soon started to turn to state government to enact such legislation. State progressive main actors where the governors and state legislatures in which we find prominent Republicans, as well as, Democrat progressives. The main battles of state progressivism was both against political machines but also large corporations, especially in the railroad industry.

Republican Governor Robert M. La Follette, was a major actor in progressive reform in his home state of Wisconsin. During his term as governor he fought against urban machines and railroad tycoons with many reforms. After gaining control of the state legislature, La Follette, with the support of urban progressives in the cities, enacted legislations such as direct primaries, where citizens could vote candidates for public offices and diminish the influence of political machines on public officials. Furthermore, La Follette would expand and strengthen competitive civil service to further crackdown on urban machines. Against railroad corporation, the La Follette administration set up and formed a commission to regulate railroad rates, as well as, enacted laws to supervise the banking sector and to raise corporate taxation.⁷ Other notable progressive governors who tackled these issues where New York Governor Evans Hughes, who set up a state commission to regulate urban public utilities, Iowa Governor Albert Cummins, which following La Follette instituted direct primaries for public officials, and California Governor Hiram Johnson, who instituted a state commission to regulate the railroad industry.⁸

⁵ Wiebe, *The Search for Order*, pp 172

⁶ Ibid. 172

⁷ Boorstin & Kelley. *A History of the United States*. pp 462

⁸ Wiebe, *The Search for Order*, pp 176-178

Lastly rural progressivism was a branch of progressivism mainly concentrated in the South and West United States. Many rural progressives, found their roots in populism with their main focus on rural and town issues, mainly affected by the railroad industry power abuse. Rural progressives demanded strict antitrust legislation, state enterprise in sectors such as insurance and stringent rules to restrain the political activities of large corporations. Moreover, rural progressives demanded an expansion of the discretionary power of the executive, especially in the area regarding the Interstate Commerce Commission powers, with the aim of successfully tackling the corporate giants.⁹ The demands of rural progressive, like their urban counterparts, would soon find the support of the State progressive governors, who, as we mentioned above, enacted state legislations to regulate the corporate sector, especially in matters regarding railroad discriminatory freight rates.

Large Corporation, in response to this new wave urban and rural reformers, started to implement tactics to evade regulation. Many trusts started to reorganize to obtain administrative centralization. Large monopolies such as Standard oil or U.S Steel started to change their corporate structure in more flexible and less susceptible to prosecution holding companies.¹⁰ This structural transition was also facilitated by certain States who maintained lax and liberalized corporate law. New Jersey, for example, in 1891 passed the Holding Company Act, which facilitated the structural and organizational transition of many corporate trusts.¹¹ National progressives in government and congress, in response, started to assess new forms of federal corporate legislation to effectively crack down on these monopolistic corporation shielded by a handful of state governments.

The first issue progressives encountered was the inadequacy of the already existing federal corporate law, specifically the Sherman antitrust Act and Interstate Commerce Act. Both acts, as mentioned in the previous chapter, proved ineffective against large corporations, as many were able to evade the broad scopes of the acts. The Sherman Antitrust Act, would prove the most ineffective out of the two, as out of the thirteen successful antitrust cases, only one involved a combination of capitalist, with the rest targeting labor combinations.¹² In the early 20th century, progressives evaluated the possibility of introducing federal incorporation or federal licensing. The arguments in favor of federal incorporation as a comprehensive regulatory solution was of two nature: first, federal incorporation would limit the “race to the bottom” conducted by states when liberalizing corporate regulation to incorporate more businesses. Secondly, as state corporation laws varied,

⁹ Ibid.. 180,186

¹⁰ Ibid. 186-187

¹¹ Lamoreaux, Naomi R., and William Novak. *Corporations and American Democracy*. Harvard University Press, 2017, pp 113

¹² Ibid.. 115

federal incorporation would set rules to monitor and supervise large interstate corporations, and build a uniform and efficient national regulatory force to combat monopolistic interstate trusts.¹³ Ultimately, federal incorporation attempts to pass in congress would fail, as such law posed both constitutional and societal issues. Constitutionally, many critics of federal incorporation argued that the federal government did not have the power to incorporate businesses, as it was a prerogative of states to regulate corporate affairs set by the 1787 constitutional convention.¹⁴ Socially, critics argued that giving the power to incorporate to the federal government was a possible starting point for federal nationalization of industry. Many critics of federal incorporation, identified federal incorporation as a precursor of socialism, and that regulatory control could possibly transition to bureaucratic management of business and later even state ownership. The solution to the progressive's goal to regulate corporations would come with the Theodore Roosevelt administration and the implementation of industry-specific regulatory statutes.

¹³ Ibid.. 116-117

¹⁴ Ibid. 118

2.2 The Theodore Roosevelt presidency and reforms.

Theodore Roosevelt assumed the presidential office in September 1901 after the assassination of President McKinley. After assuming office, Roosevelt set his goals in reforming the United States by emboldening the national government and making it the dominant force and single most influential power to solve national affairs.¹⁵ Roosevelt's progressivism was labeled under the term "New Nationalism", differently from other progressive political platforms such as Wilson's "New Freedom". "New Nationalism" became synonymous with battles against large monopolistic corporations, the creation of a new imperialistic American foreign policy and important reforms to supervise the usage of national resources, as well as, strengthening the executive to regulate in these issues. In his first congressional speech after being sworn as president, Roosevelt made clear that the government had to regain control over corporations, as he stated: "more and more it is evident that the State, and if necessary the nation, has got to possess the right of supervision and control as regards the great corporations which are its creatures".

To achieve his aim Roosevelt would revise already existing regulatory and antitrust acts, such as the Sherman and Interstate Commerce act, and strengthen them with other acts of similar nature. Roosevelt would also, as the government's executive, intervene in many matters concerning corporate violations, such as the one regarding the 1902 coal strike.

With regards to legislation, Roosevelt enacted a series of important acts and reforms to target trusts and other large anti-competitive corporations. The most important acts endorsed by the Roosevelt administration were the 1903 Elkins and 1906 Hepburn acts, the 1906 Pure Food and Drug Act and Meat Inspection Act and lastly, the 1910 Mann-Elkins Act. The 1903 and 1906 Elkins and Hepburn acts, were two acts aimed at expanding and strengthening the Interstate Commerce Commission (ICC). These acts, extended the ICC jurisdiction and allowed it to engage in rate regulation. Furthermore, the ICC, under these two acts, could impose heavy penalties on railroads, if violations such as discriminatory pricing were conducted.¹⁶ The Pure Food and Drug Act and Meat Inspection Act were acts that enhanced federal regulation in respect to food and drugs. The Mann-Elkins Act of 1910, was yet another industry-specific regulatory act that expanded the ICC jurisdiction in matters regarding all forms of telecommunication.¹⁷

¹⁵ Wiebe, *The Search for Order*, pp 190

¹⁶ Lamoreaux & Novak. *Corporations and American democracy*. pp 115

¹⁷ *Ibid.* 115

Conservation of natural resources was also a pressing regulatory issue of the Roosevelt administration. During the two terms of his presidency, Roosevelt enacted many regulatory acts and other laws to protect the environment and monitor and control the exploitation of natural resources. In 1902 congress passed the Newlands Reclamation Act, which destined federal funds to sixteen western states through the selling of public lands. These funds would be used by the states to create infrastructure such as water canals and dams for irrigation and agriculture. Moreover, Roosevelt increased the acreage of national forests and protected them from overexploitation conducted by timber companies. This was achieved by transferring this specific competences from the Public Land Office to the newly instituted United States Forest Service, which operated with a scientific conservationist land management approach under the leadership of Gifford Pinchot¹⁸

Roosevelt, as many middle class progressives, was also a supporter of ideas such as bureaucratic and public management to enhance federal regulation. In his two terms of presidency, he set up important regulatory bodies, such as the Bureau of Corporations. The Bureau of Corporations was a federal regulatory agency of the newly formed Department of Commerce. Its powers and tasks were investigating and reporting on interstate corporations. Between 1906- 1913, the Bureau of Corporation investigated and issues reports on corporations related to strategic sectors such as petroleum, tobacco and steel. However, the Bureau still lacked of regulatory authority and enforcement and was used mainly to investigate and propose new legislation.¹⁹

During Roosevelt administration, the federal government became also involved directly as arbitrator in many matters involving abuses and violations committed by large business. The first case in which the federal government under Roosevelt acted against corporate interest was the 1902 coal strike. In this case, the owners of the nation's anthracite, or hard coal, mines were reckless in regards to the safety of their workers. Workers were underpaid, worked strenuous hours and suffered an unsafe work environment. In 1901 alone, 441 miners were killed due to mining accidents.²⁰ In 1902, the miners unions, in particular the United Mine Workers union, decided to take action and enacted a strike in eastern Pennsylvania. As the situation worsened and mine owners tried to force the miners to end the strike, President Roosevelt intervened in favor of the miners by asserting the position of the federal government as arbitrators. In October, a deal was brokered by the government, were miners were given a 10 % raise and a reduction of working

¹⁸ Boorstin & Kelley. *A History of the United States*. pp 424

¹⁹ Lamoreaux & Novak. *Corporations and American democracy*. pp 120

²⁰ Boorstin & Kelley. *A History of the United States*. pp 420

hours. The intervention in the 1902 coal strike was an important achievement of the Roosevelt progressive administration as it proved the newfound authority of the federal government in limiting the power of large business.

The 1902 coal strike was a first important achievement of the Roosevelt administration. As we shall see in the next sections, Roosevelt would set his progressive agenda on two important issues: to increase federal regulation on large businesses, and the creation of a new “imperialistic” American foreign policy.

2.3 Trust-Busting and the Cases of Northern Securities and Standard Oil

As we mentioned before, the Roosevelt administration was particularly known for its opposition to monopolistic trusts. Throughout his presidency, Theodore Roosevelt earned the nickname of “The Trust Buster”, as he and his successor to the presidency, William H. Taft, initiated a series of battles between the federal government and trusts. Roosevelt would approach the trusts issue by categorizing trusts as being either “good” or “bad”.²¹ The main difference between the two lied in how willing trusts were in accepting to subordinate to the executive direction set by the government and its tendencies to not engage in anti-competitive practices. Cases such as the Panic of 1907 are examples of how Roosevelt and industrialists, such as J.P Morgan, could reach a compromise between federal government and corporations. Other cases such as the Northern Securities and Standard oil cases, instead, exemplify a hardline approach of the government in spearheading large trusts.

Before looking at the cases of Northern Securities and Standard oil, as well as, the exemption of the Panic of 1907, we must understand what is a trust. A corporate trust is a peculiar business association effected by stockholders of different corporations transferring their stocks to trustees.²² The characteristics of Trusts are that they have to be large and possess the intention, power or tendency to monopolize business, interfere with trade, fix prices, etc.²³ Thus we can identify trusts in, for example, franchise corporations, railroad aggregations and any large corporation that possess exclusive powers or privileges of any sort, as well as, being producers of larger scale. Trusts started to consolidate in the United States with the beginning of the Gilded age and consolidated power in-between the 1870s and 1880s. As mentioned above, trusts, are characterized by having stockholders of different corporations transferring their stocks to trustee, the most prominent example is Standard Oil, as its founders John D. Rockefeller and brother William Rockefeller owned large number of stocks, on behalf of the Standard Oil Company, in other trusts operating in copper mining and smelting. The Amalgamated Copper Company and American Smelting and Refining Company, were two large trusts operating and controlling large portions of the copper mining and smelting sector. In both cases Standard oil controlled large stocks of both companies, with William and John Rockefeller serving as directors for these companies.²⁴ Thus, trusts created large monopolies over entire sectors

²¹ Wiebe, *The Search for Order*, pp 194

²² Moody, John. *Truth about Trusts*. Moody Publishing Company, 1904. Pp XIII

²³ Ibid. XIV

²⁴ Ibid. 11-12, 55

of industry and concentrated wealth over a handful of tycoons and magnates who limited competition and engaged in anti-competitive practices, such as the ones mentioned above.

To combat effectively trusts, the Roosevelt and Taft administrations, had to revitalize the Sherman anti-trust act of 1890. As we mentioned in the previous chapter, the Sherman act had two major problems: The broad language and unwillingness of presidents to utilize it against trusts. In the Northern Securities and Standard Oil cases, both the application and willingness to peruse corporations under the Sherman act radically changed with the advent of progressives, such as Roosevelt and Taft.

The Northern Securities case revolved around the control of the four big railroads of the Northwest United States. The Northern Securities Company was a holding company formed by James J. Hill, president of the Great Northern railway, the Rockefellers, J.P Morgan and E. H. Harriman, president of the Union Pacific and South pacific railways. The aim of these company was to try and control all the four of the major railroads in the Northwest. The creation of this holding company became a matter of public concern to north-westerners, as they were dependent on the railroad to import and export goods and products. For this reason, the establishment of a monopoly over the entire northwestern railroad sector would signify an arbitrary price fixing of railroad freight rates.²⁵ The public outcry over a possible Northern Securities monopoly over the railways, gave Theodore Roosevelt the opportunity to intervene in this matter and reinvigorate antitrust law. Roosevelt ordered the Department of Justice and the U.S Attorney's office to prosecute Northern Securities company for violating the Sherman antitrust act and engaging in "restraint on trade or commerce". In 1904, the case was brought to judgment before the Supreme Court and with a 5 to 4 vote; the court found Northern Securities Company to have violated the provisions under the Sherman antitrust act subsequently ordering it's dissolution. This was the first major victory for both the TR administration and the progressive antitrust movement.²⁶

Standard oil was another large trust operating in the oil sector founded by John D. Rockefeller. In its early years, Standard Oil, was a manufacturing and refining trust. It was made up of 20 constituent companies held together by certificates of trustees. In 1899 it was formally incorporated in New Jersey, by consolidating all the trustees in one company. Standard oil became notorious for two reasons: Firstly, its fierce hold of the oil refining industry which, at one time , Standard oil controlled 95% of the oil sector in the U.S; and secondly its engagement in ruthless anticompetitive

²⁵ Boorstin & Kelley. *A History of the United States*. pp 421

²⁶ Ibid. 422

practices to limit competition in the sector. Standard Oil's advantage over its competitors was mainly due its special privileges on freight rates , as it would collude with railroads to obtain discriminatory rebates and other privileges. This arrangement between the two would destroy competition, as railroad freight shipping for Standard oil were significantly lower than any other oil refining companies non-aligned with the former.²⁷ This scheme also contributed to Standard oil's forceful acquisitions or takeovers of numerous independent oil refineries, which under the threat of being under competitive and risk failure, consented to being absorbed by Standard oil.²⁸

Due to this overwhelming monopolistic and anti-competitive approach undertaken by Standard oil, it became a priority for progressives to take on the "oil trust". The first signs of opposition against Standard oil would take form through public exposure carried out by muckraking journalism. In 1904, Ida Tarbell would publish *The History of Standard Oil Company* where she exposed to the public all the misdeeds perpetrated by Standard Oil Company. Ida Tarbell set the stage for politicians such as Roosevelt to intervene to diminish Standard Oil power over the industry. Already in 1906, with the passing of the Hepburn Act, the federal government forbade railroad rebates and other discriminatory pricing of rates. Finally in 1911, with the Taft administration, the federal government initiated the process to prosecute Standard Oil in violation of antitrust legislation, as its acquisitions were seen as undue restraint on trade. The Government filed a suit against Standard Oil and brought the case before the Supreme Court. The verdict of the court in the case *Standard Oil Co of New Jersey v. United States*, 221 U.S 1(1911) was ruled against Standard Oil Co.²⁹ The court found that undue restraint on trade was applicable if the result of such action would produce three possible consequences: High prices, reduced output and reduced quality. The court found that Standard oil had violated the Sherman antitrust act, as its action produced these specific consequences.³⁰ The court ordered Standard Oil Company to break up in 34 different independent companies with different board of directors.

²⁷ Moody, John. *Truth about Trusts*. Pp. 113-115

²⁸ Boorstin & Kelley. *A History of the United States*. Pp 352

²⁹ Standard Oil Co. of New Jersey v. United States, 221 U.S. 1 (1911)." *Justia Law*, <https://supreme.justia.com/cases/federal/us/221/1/>.

³⁰ "Standard Oil Co. of New Jersey v. United States (1911)." *Legal Information Institute*, Legal Information Institute, [https://www.law.cornell.edu/wex/standard_oil_co_of_new_jersey_v_united_states_\(1911\)](https://www.law.cornell.edu/wex/standard_oil_co_of_new_jersey_v_united_states_(1911)).

The new interpretation of the Sherman antitrust act, in regards to unreasonable restraint on trade, was mainly due to a new legal doctrine, developed by President Taft in the case *Addyston Pipe and Steel Co. v. United States*, called “the Rule of Reason” . This legal doctrine would be applied on a case-by-case basis to determine the legality of agreements that may restrict competition.

Although Roosevelt and Taft were staunch opposers of trusts, exceptions were made in certain circumstances. The panic of 1907 was a short lived banking and financial crises which resulted in the collapse of highly speculative investments. The crises impacted both the financial world ,as well as politics, with many attributing the fault of the recession to Roosevelt’s antitrust policies. To solve the crises Roosevelt and J.P Morgan concluded an arrangement, which saw Morgan’s U.S Steel acquisition of the Tennessee Coal and Iron Company(TC&I), its failing largest competitor . By acquiring TC&I, Morgan would have averted the collapse of prices and solved the crises. In this case, Roosevelt reluctantly agreed to not prosecute U.S steels in violation antitrust laws and approved the takeover, on the basis of his “Good” and “Bad” trust analysis.^{31 32}

³¹ Boorstin & Kelley. *A History of the United States*. Pp 424

³² Wiebe, *The Search for Order*, pp 194

2.4 *The Beginning of American foreign policy*

Before the beginning of the 20th century, the United States rarely intervened in matters of foreign affairs. Its principle concern revolved around its neighbors, Mexico and Canada, and the expansion westwards based on the ideal of “Manifest Destiny”.³³ Towards the end of the 19th century and beginning of the 20th century, the USA started to pursue a path to assert itself in respect to the international community. America’s interests to build a foreign policy was guided by multiple reasons. First, a new wave of imperialism began towards the end of the 19th century and beginning of the 20th century. Many European nations such as Great Britain, France and Germany were carving up pieces of Asia and Africa and establishing new empires. For this reason, as the U.S considered itself on equal standing grounds with the other European powers, it became imperative to pursue a more international-oriented foreign policy.³⁴ Secondly, two important groups of American society emerged with different approaches regarding foreign policy: the profit-oriented and the power-oriented.³⁵ The profit-oriented approach was supported by a group mainly made up of financiers, investors, bankers and businessmen. As the wave of domestic economic and financial opportunities was disappearing with signs such as depressions hit hard on the economy both in the 19th and early 20th centuries. As this process became evermore inevitable, a number of businessmen and bankers started to invest in foreign ventures. Strong of their domestic surplus, great banking establishment and large corporations started to invest mainly in Latin America, and to a lesser degree East Asia, in sectors such as railroads, manufacturing, transportation and mining, as well as, in governments. Other businessmen instead dealt in commerce, with the acquisition of large portion of land to create sugar and banana plantations to export both domestically and internationally.³⁶

Power-oriented supporters, set their goals in establishing the U.S power around the world. To achieve this the U.S had to mimic the conduct of many of the established European powers, and create an empire for itself by gaining spheres of influence or territories. The two approaches to foreign policy, although distinct, would inevitably intertwine as both depended on each other to obtain their goals. Profit-oriented bankers and large businesses, for example, needed the U.S government to intervene and protect them from uncertain business conditions that would threaten their investments, such as social unrest or abrupt political change unfavorable to them. Similarly, power-oriented

³³ Boorstin & Kelley. *A History of the United States*. Pp 247

³⁴ Wiebe, *The Search for Order*, pp 225

³⁵ Ibid. 229

³⁶ Ibid. 231-232

supporters understood the necessity of collaborating with financial capitalist to further their expansionist goals and deter European economic and financial interest in regions of the world where the U.S was interested in asserting dominance.³⁷ These two approaches to foreign policy shaped both the different policies, such as, either investing or commencing with certain countries, as well as, where to set their imperial and financial interests.

American Foreign policy in the late 19th century was dominated by two different regional interest: Latin America and East Asia. Latin America had always been a priority for the U.S to control. Early in the 19th century, President Monroe, with his famous Monroe Doctrine, declared the western hemisphere as to be free of any meddling from the European powers. Towards the end of the 19th century and beginning of the 20th such ideals would be further stressed and strengthened. The new Latin American policy would be shaped both by progressive administrations, such as Roosevelt, Taft's and Wilson, and by a implemented with a mixture of power and profit oriented approaches. The first sign of the combination between these two approaches was exemplified in the Spanish-American war of 1898. The war did not last long and its reasons were a mixture of endangered private interest and national assertion.³⁸ In 1895, the Cuban people started to revolt against their Spanish overlords to obtain independence. In the process, Cuban revolvers started to destroy American sugar plantations and mills. American business firms had invested over 50 million dollars in Cuban sugar, and seeing the situation devolve, urged the U.S government to act³⁹. After being elected in 1896, President McKinley decided to act and set his goals based on two promises: first, protect American business and secondly, free the Cuban people. In, 1898, After the dubious sinking of the U.S battleship *Maine*, McKinley declared war on Spain and quickly defeated the declining empire in only four months. With the subsequent treaty of Paris, the peace terms imposed on Spain showed this double approach between profits and power. On the one hand, the U.S formalized Cuban independence, but with some limitations. Firstly the Platt Amendment to the treaty limited Cuba's involvement in domestic and international affairs, as Cuba, according to provisions of the amendment, could not contract debts, make treaties with other nations and commerce independently. Moreover the Platt Amendment included provisions protecting American business interest, such as, the third provision of the amendment which stated that the U.S could military intervene at any time for "the protection of life,

³⁷ Ibid. 235-236

³⁸ Ibid. 240-241

³⁹ Boorstin & Kelley. *A History of the United States*. Pp 410

property and individual liberty”.⁴⁰ The treaty also contained a majority of power-oriented terms, such as the American annexation of the Philippines, Guam and Puerto Rico, which fell out of the scope of the war. The Spanish-American war set the stage for American imperialism and a subsequent mixture of profit and power oriented approaches in Latin America.

East Asia was another region the U.S was interested in increasing influence. According to Wiebe, American interest in East Asia came as a consequence of British ,and other European powers, influence over the region⁴¹. Although the majority of East Asia was not colonized by western powers, Asia was technically still free territory, especially China. East Asian countries most of the time were forced by European powers to become part of unequal treaties giving countries like Britain special commercial privileges. Moreover countries like China, with a numerous population, started to appeal to many american businesses, eager to export there product in the developing Chinese market. The main American policy in East Asia was the “open door policy”. This policy entailed the unrestricted flow of trade and investment between the United States and major East Asian countries such as China and Japan.⁴² Differently from the Latin American policy, the East Asian policy privileged commerce over investment. At the end of the 1890s, the financial elites organized to develop investment schemes in a similar fashion to the ones adopted in Latin America. The main issue was that investment ventures in East Asia were frequently abandoned over the years. An example is the American China Development Company, which invested on railroad and mining concessions in 1898 and subsequently, within a few years, sold them to the Belgians due to a lack of interest. The main issue with the investment-oriented failure in East Asia was the lack of enforcement the U.S government could provide in case of turmoil. Although the U.S navy had strengthened during the early years of the 20th century, the combined entrenchment of European powers and emerging East Asian powers, such as Japan, became a deterrent for further American investment in the region.⁴³

With the arrival of the progressive in government, the quest to establish a strong foreign policy became one of the priorities of each administration, from Roosevelt to Wilson. It is important to note, how these administrations each developed distinct foreign policies in relation to Latin America and East Asia.

⁴⁰ Boorstin & Kelley. *A History of the United States*. Pp 416

⁴¹ Wiebe, *The Search for Order*, pp 240

⁴² Boorstin & Kelley. *A History of the United States*. Pp 416

⁴³ Wiebe, *The Search for Order*, pp 251

After becoming president, Roosevelt made foreign policy one of his top priorities in his political platform. Roosevelt himself was considered a hero of the Spanish-American war and made it clear that his intentions would be to expand America's influence in Latin America and keep European powers, especially Great Britain, out of regional affairs. Roosevelt's foreign approach, executed by his Secretary of State John Hay, would concentrate in two major policies regarding both Latin America and East Asia. With regards to Latin America, Roosevelt made clear his intention of keeping out European powers by issuing the "Roosevelt Corollary". The Roosevelt Corollary was an addition to the Monroe doctrine. It developed in response to a possible Anglo-German intervention in the Venezuelan crises of 1902-1903. During this particular crisis, Britain and Germany threatened the use of military force to collect foreign debts that Venezuela refused to pay back.⁴⁴ Roosevelt, fearing European intervention in the Americas, issued this corollary which expanded the scope of the Monroe doctrine. The rationale behind the corollary was that, according to the Monroe doctrine, European countries had to stay out of the western hemisphere; thus, the U.S. was the sole regional power to interfere and exercise, what Roosevelt called, "international police powers". The "international police power" would be executed in a form of diplomatic approach called "Big Stick Diplomacy", named after Roosevelt's iconic phrase in regards to his foreign policy: "speak softly and carry a big stick...". The "Big Stick Diplomacy" was Roosevelt's variant of the Gunboat diplomacy, that is, any time American interest abroad was jeopardized, the U.S. would send its navy and through coercive measures restore the status quo.⁴⁵ This kind of diplomacy was very advantageous for businesses and banks which invested in Latin American countries as their interest was protected by the U.S. military. Although domestically Roosevelt was a staunch opposer of many of these business and financial elites; abroad, Roosevelt understood the interconnection between imperial politics and imperial financing as indispensable to further U.S. foreign interest.⁴⁶ For example, when U.S. investment in the Panama channel was put to risk by an increment in leasing prices by Colombia, Roosevelt sent his navy to support Panama's independence revolutionaries. After obtaining independence, Panama was quickly recognized by the U.S. and, in return, the newly Republic of Panama offered more advantageous leasing terms for the construction of the channel.

Roosevelt's Far East policy differed from his aggressive approach in Latin America. Roosevelt in East Asia maintained a more commercial-oriented "Open door" policy. Roosevelt would try to

⁴⁴ Wiebe, *The Search for Order*, pp 245

⁴⁵ Boorstin & Kelley. *A History of the United States*. Pp 437

⁴⁶ Wiebe, *The Search for Order*, pp 248

incentives big banking financiers such as J.P Morgan to investment in Asia, but with disappointing results. As the U.S military still could not intervene in East Asia, Roosevelt adopted a policy to influence the region by acting as mediator. Such strategy was implemented in the aftermath of the Russo-Japanese war where Roosevelt mediated and helped stipulate the subsequent peace treaty⁴⁷.

President Taft, Roosevelt successor, would continue American imperialistic ambitions. Taft furthermore stressed the importance of Financial and American imperial interrelation through his foreign policy approach known as the “Dollar Diplomacy”. The Dollar Diplomacy entailed that the U.S would make use of its ambassadors and armed forces to incentives and protect business and investments⁴⁸. Taft’s Secretary of State Philander Knox, stressed the importance of American investment abroad to increase influence and deter potential European rivals, especially in Latin America. Taft’s use of the “Dollar Diplomacy” would be exemplified in the American occupation of Nicaragua of 1912, where Taft authorized military intervention in Nicaragua to protect American business, especially banana corporations, threatened by civil strife.⁴⁹

President Wilson, which we shall discuss in more detail in the next section, maintained a quasi-specular approach to his predecessors. His main foreign policy approach was more commercially oriented than investment oriented, but his objective remained the one of expanding U.S foreign policy either through military or economic means.⁵⁰ Wilson, like, his predecessors used coercive strategies in Haiti, when the government tried to seize land from American businesses and Mexico, who had established close diplomatic relations with Germany. Coercive measures would also be followed by strategies of economic and financial dependence to link even more Latin American State with the U.S. In Santo Domingo, for example, after renewed troubles, military occupation was supported by an elaborate scheme of financial control ,underwritten by the U.S, which would make Santo Domingo’s financial and banking system dependent on the U.S. Wilson would also use this economic and financial tactic as a means of excluding British investment and influence in the region of Latin America.⁵¹

⁴⁷ Wiebe, *The Search for Order*, pp 250

⁴⁸ Boorstin & Kelley. *A History of the United States*. Pp 440

⁴⁹ Ibid. 440

⁵⁰ Wiebe, *The Search for Order*, pp 249

⁵¹ Ibid. 248

2.5 *Wilsonian progressivism and reforms*

The 1912 election was an all-progressive election between Woodrow Wilson's Democratic party and Theodore Roosevelt's progressive "Bull Moose" party. We speak of all-progressive as both candidates represented progressive ideals but with distinct features. Roosevelt's political platform, "New Nationalism", concentrated more on strong national government to regulate businesses and insure the well-being a prosperity of the people. Roosevelt furthermore abandoned the ideals of individualism and old-fashioned democracy. On the other hand, Wilson progressivist platform, the "New Freedom", concentrated mainly on individualism and the reestablishment of the old values of American democracy and capitalism. Wilson concerned more on freeing business and labour from the grip of monopolies and restoring competition.⁵² The election was won by Wilson and after years, Democrats returned to power. Wilson agenda would now concentrate on three major issues: Tariffs reform, Banking system and anti-trust legislation.⁵³

Tariffs was one of the first major issues of the Wilson administration. As we discussed in the previous chapter, tariff and import duties policy was an important political debate in Congress with differences of opinions regarding either incrementation or reduction of tariffs. Wilson believed in the free opportunity of business, thus a reduction in tariffs. The person tasked with drafting a bill to achieve this was representative Oscar W. Underwood, a tariffs experts, who devised a plan to reduce import duties of about 11% from the Payne-Aldrich Act of 1909.⁵⁴ The formula to cover for the lost revenue, as consequence to the tariff reduction, was the introduction of an income tax with low rates.⁵⁵ Thus in October 1913, after months of congressional divide over this issue, the Underwood-Simmons bill became law. The Underwood-Simmons act would be the first real tariffs reform since the civil war.⁵⁶

The next big issue was banking and currency reforms. Throughout the 19th and early 20th century American experienced major financial panics. The main reason for these financial crises was due to the U.S not having a national banking system to regulate currency and monitor banks. Bank 'runs' on deposits were the reasons for the majority of economic and financial panics. The issue was

⁵² Boorstin & Kelley. *A History of the United States*. Pp 433

⁵³ Wiebe, *The Search for Order*, pp 219

⁵⁴ Boorstin & Kelley. *A History of the United States*. Pp 434

⁵⁵ Wiebe, *The Search for Order*, pp 219

⁵⁶ Boorstin & Kelley. *A History of the United States*. Pp 435

that the cash reserves of banks, both small and large, were entrusted mostly to New York Banks. Large New York city banks would subsequently loan “on call”⁵⁷ those deposit reserves to Wall Street speculative investors. The issue emerged if a small bank demanded their reserves back, as New York Banks would need to “call back” there loans from Wall Street Investors. Investors would then either make other loans with banks to pay off their previous loans, or mass sell assets in the stock market; leading to both bank ‘runs’ and stock market crashes.⁵⁸

Wilson even before his tariffs reform, made the banking reform a priority. The need for a national banking system lead to the passing of the Federal Reserve Act in 1913. The Federal Reserve Act structured the country into twelve districts, each with a federal reserve bank owned by members of banks . All federal reserve banks were subject to supervision by a Federal Reserve Board, whose members were appointed by the President. The working of the Federal reserve system was that every national bank had to become member of the system and subscribe part of its capital and surplus to form the capital of the district reserve bank. The Federal Reserve Banks would operate as central banks, thus there task was to hold money for member banks, loan money to member banks, when needed, and performed other service for the member banks. The important fact about the institution of the Federal Reserve system was that in case of bank ‘runs’, the member banks could repay its depositories by borrowing from there district Federal Reserve Bank. The Federal Reserve Banks would also issue new national currency, *the Federal Reserve Notes*.⁵⁹ Thus, the creation of the Federal Reserve system would prove effective and beneficial in case of financial panic caused by sudden loan recalls.

Lastly, business regulation was another issue Wilson prioritized in his political agenda. As his predecessors, Wilson believed in business regulation but in perspective of restoring competition. He believed that strengthening antitrust legislation rather than executive agencies or, other forms of regulatory agencies, was the solution to limit the power of large corporations. In 1914, congress passed the Clayton Antitrust Act, which expanded the substantive reach of the Sherman Antitrust Act of 1890.⁶⁰ The Clayton Act, prohibited companies from taking over stocks of another company if ultimately it created a monopoly. Furthermore, it forbade anyone to serve as a director of two or more

⁵⁷ on call: a type of loan where the lender can demand repayment from the borrower at any time.

⁵⁸ Boorstin & Kelley. *A History of the United States*. Pp 435

⁵⁹ Ibid. 435

⁶⁰ Lamoreaux & Novak. *Corporations and American democracy*. pp 124

corporation to prevent “interlocking” directorates such as in the case of Standard Oil or J.P Morgan & Co.⁶¹

Wilson also passed the Federal Trade Commission Act in 1914. Although, Wilson was against regulatory agencies, he understood the need for a commission to investigate and regulate the actions and behaviour of large corporations. The Federal Trade Commission(FTC,) thus, incorporated the old Bureau of Corporation and its tasks and power. The FTC, was made up of five members. Membership was influenced by progressive ideals of bureaucratic management as membership was reserved to experts from different industries who drafted fair trade rules. The Federal Trade Commission had the power to investigate corporations and if it found grounds for violations regarding unfair trade practices, it could issue a “cease and desist” order, as a first warning. If the violation persisted, the FTC could issue penalties against the corporation at fault.⁶² Differently from the old Bureau of Corporations, which could only investigate a propose punitive action to courts, the FTC was given further powers to independently pursue and punish corporate violations.

⁶¹ Boorstin & Kelley. *A History of the United States*. Pp 436

⁶² Ibid. 436

2.5 Chapter Conclusion

The progressive era was a paramount period in U.S institutional history in shaping American public and private relations. The progressive middle class ideals of bureaucratic management and pragmatism became synonym of major reforms in society and industry. In this chapter, we analysed the role of the progressive movement in tackling the issues inherited during the Gilded era, such as corporate regulation, civil service reform and interstate commerce. Furthermore, we discussed the presidency of Theodore Roosevelt and his legislation to limit the power of railroad corporation price discrimination and his effective use of the Sherman Antitrust Act. We then discussed more in detail Trusts and the process of “trustbusing”, looking at two important cases; the Northern Securities Case and Standard Oil case which confirmed the potential of the Sherman Act if presidents were willing to utilize it. American foreign policy was also a progressive priority, in particular, the unholy relation and interdependence between businesses, finance and American imperialistic aspirations. Lastly, we analysed Wilson democratic progressivism and compared it to Roosevelt Republican progressivism, as well as, further reforms in business regulation, banking regulation and tariff policy.

To conclude, the importance of the progressive era was that it set in motion the reforms society required. Moreover, progressives re-established the power of the federal government as regulating force. The progressive era marked the shift in U.S politics and society, from being a divided country to a more coordinate and unified nation.

Chapter 3

The 20s and New Deal: The final act in forging the Nation

3.0 Introduction to the Chapter

After the end of WWI, the U.S.A entered a period in history known as the roaring twenties, characterized by a sharp increment in economic growth and production. This period would be halted on October 1929, when suddenly the stock market crashed leading to disastrous consequences. In this chapter, we shall discuss in section 3.1, the reasons of the historic Great Depression, as well as, President Hoover's attempt to restore the national economy, in vain. In section 3.2, we shall look at some of the reforms enacted during the first years of Franklin Delano Roosevelt's "New Deal" and how, in the long term, these reforms would partially curb the effects of the Depression,

3.1 The crises of 1929 and the Hoover presidency

With the end of the First World War, the U.S entered a period known as the “Roaring Twenties”. The “Roaring Twenties” were characterized by a rapid economic growth which led to an astonishing increment in production of goods and services.¹ This economic growth was incentivized by the progressive ideals of the early 20th century of bureaucratic and scientific management which made their way in both public and private leadership.² Henry Ford and his implementation of the assembly line to increase the production of cars, is a clear example of how scientific management applied to industry could lead to increased efficiency. With the use of the assembly line, Ford’s automobiles, in 1925, could be produced every 10 seconds.³ The Roaring Twenties thus saw this huge increase in industrial output, with all sorts of products produced in the millions. The major covert problem, though, lied in wages. Although many of these products became very accessible to the average U.S household, in the 1920s wages did not rise up fast as output. Real wages of American workers rose up 26% from 1918 to 1929, while the productivity of factories was going up 40%.⁴ This meant that without increasing wages, the excess output would not acquire.

Another important aspect of the “Roaring Twenties” was the stock market fever. During the 1920s people started to heavily invest in the stock market to make profit out of “appealing” dividend payoffs. As a consequence many people started borrowing money on “margin” to buy stock. To buy on margin a person had to put a small amount of cash to buy each share of stocks. At a second point, a person could borrow the rest of the purchase price on the value of the stock itself.⁵ This meant that if the price of stocks increased, a person would make a large profit out of a small investment. On the contrary, if the price went down, a person could lose all he put in.

In 1929, after years of stock market rise, the stock exchange started declining. The first sign before the event known as the Great Depression was “Black Thursday”. On Thursday, October 24 stock prices started to plummet. As prices started to decrease, buyers on the margin started to sell the stock caught by the panic. To find a solution, New York’s most powerful bankers met at the offices of J.P Morgan & Co. to find a solution. They arrived to the conclusion that to stop prices from falling,

¹ Boorstin, Daniel J., and Brooks M. Kelley. *A History of the United States*. Ginn & Co., 1981. Pp 485

² Wiebe, Robert H. *The Search for Order: 1877-1920*. Hill and Wang, 1967. pp 295

³ Boorstin & Kelley. *A History of the United States*. Pp 485

⁴ Ibid. 485

⁵ Ibid. 489

the bankers would collectively pool a sum of 40 million dollars in support of the stock market.⁶ Such strategy would prove successful as by the end of the day the stock prices would go back up.

On Monday, though, the stock market would plummet once again, with prices falling sharply. This unprecedented event in U.S history would be known as the “Great Crash”. This time, the strategy used by bankers during “Black Thursday” could not be applied again, as they were overly committed to the stock. Large corporations saw, in the weeks that followed, a huge decrease in their stock prices. Corporate giant US Steel, for example, saw a rapid decrease in its share prices. At the beginning of September US Steel valued \$262 a share, but after the crash, shares dropped to 138\$ and later 22\$ a share.⁷ The reason for the stock crash was mainly attributed to the issues of the 1920s. As the output was greater than wages, the economy became dependent on the spending and reinvesting of households and businesses in the stock market. With the stock market crash, people started to panic and stopped spending and investing. Moreover, the crash meant that consumers could no longer afford to purchase excess products, which resulted in producers bearing losses for these surplus of items. Inventories piled up and factories had to lay off workers to cover the enduring costs.⁸ As the period of economic recession continued, the event would be known as the “Great Depression”.

President Herbert Hoover, was overwhelmed by this sudden economic downturn. Government involvement in the economy in the 1920s had been absent, as both his predecessors President Warren Harding and Calvin Coolidge believed in minimal government intervention. The approach suggested by Hoover’s Secretary of the Treasury, Andrew Mellon, was to not involve the Government at all in the crises and let the economy recover on its own. President Hoover would not approve of this approach and attempt, with a series of reforms, to end the economic crises.⁹ Reforms under Hoover, targeted primarily the need to keep prices up and save banks and businesses from failing.

Hoover’s reform tried to uplift from depression farming and business. For farming, congress passed the Agricultural Marketing Act. This act created the Federal Farm Board with a 500 million dollar budget to lend to farm cooperatives and help them market crops.¹⁰ This intervention had the aim of keeping the prices of high valued crops, such as tobacco, cotton, corn and wheat up. Banks

⁶ Schlesinger, Arthur M. *The Crisis of the Old Order, 1919-1933*. Houghton Mifflin Company, 2003. Pp. 158

⁷ Boorstin & Kelley. *A History of the United States*. Pp 491

⁸ Ibid. 491

⁹ Ibid. 492

¹⁰ Ibid. 492

and business also suffered and closed as a result of the crises. Banks, for example, started to fail rapidly. Depositors in a wave of panic started to withdraw their money in the masses. This led to thousands of banks failure during the first two years of depression. Although the Federal Reserve System, established in 1914, was an instrument to avoid this kind of situation; with this unprecedented stock crash, federal reserve banks failed to avoid bank ‘runs’. Similarly to banks, also large corporations declared bankruptcy due to their overly dependence on the stock market. Hoover thus urged congress to create the Reconstruction Finance Corporation (RFC). The bill had to save banks, large corporations and insurance companies from collapse. The RFCs budget was around 2 billion dollars which had to be lent to banks, railroad, insurance companies and farm credit associations to provide jobs and financial relief. Unemployment was also on the rise, as many business filed for bankruptcy. Consequently, workers were fired and found themselves unable to pay their mortgages. Many unemployed farmers and workers started to live in communities of shacks named “Hooverville”.¹¹ To solve this issue, Hoover pushed the passing of the Federal Home Loan Bank Act to help people with mortgages from losing their homes.¹²

Although President Hoover tried to enact these reforms to solve the depression; ultimately it would take more effort in legislation than what he did during his presidency. Many of his reforms did have minimal impact in helping the economy, but ultimately they would need the reinforcement of new legislation which took form under Franklin D. Roosevelt’s “New Deal”.

¹¹ Schlesinger, Arthur M. *The Crisis of the Old Order, 1919-1933*. Pp 171

¹² Boorstin & Kelley. *A History of the United States*. Pp 496

3.2 *The Thirties, F.D.R presidency and the “New Deal”*

In 1932 Franklin Delano Roosevelt succeeded Herbert Hoover as President of the U.S, in the midst of the Great Depression. Since his nomination as Democratic candidate for the Presidency, FDR labelled his plan to end the economic recession as the “New Deal for the American people”. The New Deal plan consisted of the three “r”: *relief* for those in need, *recovery* to the economy and reform so that such an economic crises would be avoided in the future.¹³ Roosevelt’s New Deal would concentrate on different areas to provide relief, recovery and reform. Such areas can be identified in: banking, currency, securities, housing, agriculture, industry and economy; all affected by the Great Depression.

Banking was the first sector FDR planned to relieve from Depression. In 1933, congress passed the Emergency Banking Act. This act entailed a four day bank closure and extended the power of the Secretary of the Treasury to investigate on all banks and reopen them when he saw fit. The examination of the banks showed that four-fifths of them were actually in condition to operate again. Subsequently, Roosevelt pushed the passing of the Glass-Steagall Act. This reform act prompt the creation of the Federal Deposit Insurance Corporation(FDIC), which protected depositors in insured banks up to 5000\$¹⁴. All members of the Federal Reserve system had to belong to the FDIC. Furthermore, the act added the competence of saving banks to the Federal Reserve System and broaden the powers of the Federal Reserve Board to prevent unrestricted stock market speculative investment which resulted in the Great Crash.

After banking, Roosevelt concentrated his efforts in curbing the deflation that was continuing to bring down prices and wages. The first solution was to print more money to put in circulation and induce inflation, but this solution was quickly disregarded, as inflation could lead to uncontrolled runaway prices. Thus, FDR preferred to tackle this issue by modifying the gold standard. In 1934, Congress passed the Gold Reserve Act. This act ordered people to deliver all there gold coins and gold certificates to the Federal Reserve Banks and to accept Federal reserve notes in exchange. This gave the President the power to reduce the gold backing of the dollar by as much as 50 percent.¹⁵ The main purposes of this devaluation of the dollars were: increase households purchasing power, increase the prices of domestic products, boost exports and decrease the burden of debt. This act

¹³ Boorstin & Kelley. *A History of the United States*. Pp 506

¹⁴ Ibid. 508

¹⁵ Ibid. 508

was particularly popular among debtors as their debts were worth less money now, but creditors became starch opposers, as they saw the value of their credit devalued.

Lastly, FDR needed to regulate the stock market and its issues with speculations, which were the prime cause of the crash and the Depression. Roosevelt decided to enact serious regulations on securities, stocks and bonds. In 1934, Congress passed the Securities and Exchange Act, which set up the Securities and Exchange Commission (SEC). The SEC, was entrusted with regulating the stock market and prevent abuses or irregularities. The powers of the SEC included: licensing and regulating stock exchanges, require basic data on stocks and bonds offered for sale, regulate activities of investment advisors and prosecute individuals who engaged in fraud.¹⁶ Furthermore, to deter people from gambling on the stock market, the Federal Reserve Board was given the power to fix margin requirement for securities.

Parallel to financial regulation, Roosevelt enacted a series of reforms to relieve the economy and initiate the path to recovery. Roosevelt would set his agenda in providing relief and government aid in key area, such as Agriculture, Industry and Labour.

Agriculture, as previously discussed, was a sector in great difficulty after the Wall Street Crash. As prices for crops and cattle fell sharply, many farmers found themselves unable to repay loans, consequently rendering them homeless and poor. To address this issue, Roosevelt urged Congress to pass the Agricultural Adjustment Act (AAA) in 1933. The scope of the act was to increase real income for farmers. The act would limit the production of crops and cattle, to reduce the excess production and raise price. To incentives the limitation in production, the United States Treasury would issue to farmers cash bonuses, obtained by a “processing tax” applied to industries who processed farmer’s goods for finished product.¹⁷ In turn, businesses, where this tax applied, could raise the price of their finished product, thus leading to a general increase in prices. The AAA succeed where Hoover’s farm program instead failed. Prices for farming products rose rapidly. Net farming income went up 240% between 1932 and 1935.¹⁸ Roosevelt Agriculture program would also include aid for farm mortgages. With the Farm Credit Act many farmers got refinanced on short term loans for agriculture purposes.

Together with Agriculture, Industry was another sector damaged heavily by the “Great Depression”. Since the late 19th century, the industrial sector had been the motor of American

¹⁶ Boorstin & Kelley. *A History of the United States*. Pp 508

¹⁷ Ibid. 510

¹⁸ Ibid. 511

economy. To lead to a prompt economic recovery, Roosevelt devised an economic plan to restart the American industrial machine. Roosevelt's program to achieve industrial recovery emulated the partnership between government and business during WWI to maximize the war effort. Based on the economic programs enacted during the war, FDR planned the National Recovery Act(NRA) in 1933. The development of the NRA was advised by business groups such as: the Chamber of Commerce, the National Association of Manufacturers and leading trade groups. The NRA would be guided by a series of codes of fair dealing made by leader of business and labour. These codes aimed at keeping both prices and wages high. Moreover they set maximum working hours and minimum wages for workers, as well as, mandatory product description, production quotas and price determination for different products.¹⁹ This new law disregarded prior antitrust laws, which prevented these kinds of policies, such as price fixation. To win public support of labour, Roosevelt included a section in the NRA which allowed the creation of unions. Under the new NRA regime, Industries, both small and large, started to organize and uniform under the codes of fair dealings. The NRA also lead to the establishment of the Public Works Administration(PWA). The PWA was set up by congress with a budget of 3 billion dollars to build infrastructure and employ people in the process.

To conclude, it would take Roosevelt more legislation to uplift the U.S from the economic crises. Although many scholars regard Roosevelt's efforts and his "New Deal" as a partial success, the FDR's reforms did have some positive aspects.²⁰ First and Foremost, the New Deal lifted the nations spirit in a moment of recession and great economic and social troubles. Secondly, Roosevelt was able to apply strong governmental programs and legislation to relieve and support business and society. Roosevelt's programs would be seen as a middle ground as his policies would incentives private businesses as the main actors for economic recovery, yet, introducing strong government regulation to avoid future economic crises. Moreover, Roosevelt reforms would revolutionize the traditional role of the Federal government by making it a key player in regulating also private matters, such as introducing standard wages and working hours, or provide aide to support farmers and the unemployed. The New Deal would also succeed in being a long lasting set of legislation, as many institutions such as the Securities and Exchange Commission are still present and active nowadays.

¹⁹ Boorstin & Kelley. *A History of the United States*. Pp 511

²⁰ Ibid. 522

Conclusion

To conclude, the importance of this analysis between private and public relations is deeply profound and imbedded in the time frame in question. When examining the years between 1865 and 1929, a radical change underwent in both the perspectives of the government and society. As the U.S entered in this new industrialized phase of history, characterized by the emergence and consolidation of corporation and political machines, the traditional perspective of the relationship between public and private drastically change. Since its beginning, the U.S government's perspective had always been a one of self-limitations in addressing public matters, but as times changed and new challenges and issues started to press society; the traditional "passive" role of government underwent a radical evolution. Parallel to the government, society also changed, as its perspective on how the government should behave equally evolved. As individual U.S states found themselves evermore incapable of dealing with illicit activities perpetrated by private entities, such as large monopolistic trusts and political machines, society revised its perspective on the Federal government's involvement in private matters. Societies perspective, thus, changed correspondingly to that of the government. First attempts were seen in the late 19th century, but where the main evolution of the relationship between public and private did take place was in the early 20th century. Progressivism revolutionized this relationship by strengthen regulations and closing down, with a series of reforms, on abusing Trusts and Political machines. The relationship was furthermore strengthened with the U.S attempt of creating an imperialistic foreign policy to assert itself in the world stage. The 20th century, thus, marks the beginning of the U.S path towards a unified and coordinated nation, by reasserting the federal government position as the main actor in national affairs. Finally, as the stock market crashed, resulting in millions unemployed and banks and businesses closing, the Federal government under FDR would, ultimately, bond government and business for years to come and create an institutional and legal framework, that to this day, exists and operates in service of both the public and the private.

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Riassunto in Italiano

I rapporti tra apparato pubblico e imprenditoria privata negli Stati Uniti, hanno avuto un'evoluzione importante e significativa, specie nel periodo tra 1865, che coincide per altro con la fine della Guerra di Secessione, e il 1929, che sarà l'anno in cui scoppierà la grande crisi economica che avrà un forte impatto, con terribili conseguenze, sull'economia statunitense e mondiale. Il tema principale della mio elaborato, riguarda come negli anni in questione, il governo statunitense predispose un apparato pubblico idoneo a disciplinare e regolamentare il rapporto con il settore privato.

Nel 1865, gli Stati Uniti conclusero una delle guerre più sanguinose della loro storia, la Guerra di Secessione. La Guerra di Secessione lasciò un marchio indelebile nella politica e nella società americana dividendo gli Stati Uniti in Nord e Sud e creando molte divisioni all'interno del esecutivo. Lo stesso anno, viene riconosciuto da molti storici, come l'inizio del fenomeno d'industrializzazione del paese. L'industrializzazione degli Stati Uniti fu un processo veloce e di grande crescita economica, accompagnato da una rapida urbanizzazione nelle città e la scoperta di nuove tecnologie rivoluzionarie, come il telegrafo, l'automobile e la locomotiva. Pertanto, l'opportunità di investire nell'industria pesante statunitense, orfana di investimenti europei, soprattutto britannici, risultò nell'aumento e consolidamento di diverse corporazioni note come Trust, che nel tempo si accinsero a controllare interi settori industriali, come il settore ferroviario, del petrolio e del acciaio.

Tra le principali figure che rappresentavano questi famigerati Trust, troviamo il noto banchiere e industriale, J.P Morgan, il "barone del petrolio", John D. Rockefeller e il magnate delle ferrovie Cornelius Vanderbilt. Le Trust, fin dall'inizio, posero subito un pericolo per la società, data la loro natura monopolistica e anti-competitiva. Il settore ferroviario, fu tra gli altri, un settore particolarmente spietato e monopolistico, in quanto, questo causò svariati abusi di potere nella determinazione dei prezzi di trasporto e causò una diffusa povertà nel America rurale. Nel contesto urbano, la rapida urbanizzazione determinò anch'essa un diffuso malcontento tra i residenti. In questo

periodo, si intensificò il fenomeno migratorio verso gli Stati Uniti, soprattutto nelle grandi città come New York e Chicago. L'aumento così drastico dei residenti risultò in un numero sempre più alto di sfollati e una generale mancanza di servizi pubblici, che non si erano evoluti per sostenere l'aumento demografico. Questa improvvisa crescita demografica delle città portò tensioni tra i vecchi residenti anglosassoni noti come i "Nativist" e i "nuovi arrivati" da tutta Europa. Nasce, così, lo sciacallaggio delle Machine Politiche cittadine: associazioni private di partito che, sfruttando la tensione tra residenti e migranti, accaparravano consenso elettorale specialmente nelle comunità migranti discriminate. Il loro intento era penetrare i centri di potere e frodare le casse cittadine di milioni di dollari. Le Macchine politiche non necessariamente eleggevano i propri rappresentanti all'interno delle amministrazioni comunali per attuare questo "ratto", bensì, sfruttavano l'antico sistema di patronato politico. Questo sistema consisteva nel controllare posizioni all'interno delle amministrazioni pubbliche e, tramite fittizie gare di appalti pubblici, trarre profitto indebito a favore dei capi delle machine politiche e dei loro associati. La più famigerata delle machine politiche fu Tammany Hall, con sede a New York, riconducibile al Partito Democratico. Sotto la guida di William "the Boss" Tweed, Tammany Hall, frodò indebitamente oltre 100 milioni di dollari dalle casse cittadine per la costruzione sproporzionata del municipio. L'operato delle Machine politiche non solo risultò nella sottrazione di quantità ingenti di denaro pubblico, ma anche di una generale mancanza di servizi pubblici di qualità.

Sempre con riferimento al contesto urbano, le grandi corporazioni causarono altrettanti problemi nel sociale. Nel contesto storico statunitense di fine ottocento, le norme per la protezione dei lavoratori e di regolamentazioni delle grandi aziende erano ancora assenti. In aggiunta, l'operato di questi grandi Trust era, per lo più, non monitorato dal apparato pubblico e privo di sanzioni normative. Pertanto, durante l'ultima metà dell'ottocento, le grandi industrie, soprattutto quelle operanti nel settore metallurgico e ferroviario, abusavano del loro potere a scapito dei lavoratori. Condizioni di lavori pericolose, stipendi bassi e rincaro degli affitti erano tra le politiche delle grandi

aziende per tagliare i costi e massimizzare i profitti; naturalmente in non curanza dei propri dipendenti.

Conseguentemente, a fine ottocento, la società americana si ribellò a questa tracotanza da parte di entità private come Machine Politiche e Grandi industrie. Nascono così movimenti sociali indirizzati a contrastare questa generale illegalità e spingere il governo federale ad intervenire a loro favore. Nel contesto rurale, nascono così i “Granger movements” e le alleanze contadine, per contrastare il potere dei magnati ferroviari nel determinare i prezzi di trasporto. I Granger movements, inizialmente fiduciosi, dato il loro iniziale successo nel attuare legislazione statale contro questa pratica monopolistica, non riuscirono a contrastare le grandi compagnie ferroviarie, che operando attraverso i confini statali, erano sottoposte a diversi quadri giuridici.

In contemporanea, nel settore industriale, nascono anche movimenti operai per ostacolare le grandi compagnie siderurgiche e ferroviarie. Troviamo, così, movimenti come i Cavalieri del Lavoro, ponendosi come obiettivo l’aumento degli stipendi e un calo nei prezzi d’affitto. Il loro operato consisteva in azioni di boicotto e di sciopero per danneggiare le grosse corporazioni. Tuttavia, le corporazioni, facendo pressione su un governo federale complice, riuscivano a disgregare questi scioperi e boicotti grazie all’intervento delle Forze Armate Statunitensi. Data l’inefficacia nei governi statali e locali nel creare quadro giuridico uniforme tra loro che potesse contrastare tali organizzazioni private, molti di questi movimenti sociali, sia urbani che rurali, si unirono nel Movimento Populista con l’obiettivo di sollecitare il governo federale nel uniformare la legislazione antitrust e contrastare la corruzione perpetrata dalle Macchine politiche.

Il governo federale di fine ottocento era preoccupato da innumerevoli questioni riguardanti soprattutto due aree: i dazi doganali e la monetizzazione del argento. Questi due temi andarono a favore delle grandi compagnie che in entrambi i casi ottennero ciò che volevano. Per quanto riguarda la regolamentazione, il governo federale decise di intervenire a favore dei vari gruppi sociali. Così

passarono tre importanti atti: lo Sherman anti-trust Act del 1890, l'Interstate Commerce Act del 1887 e il Pendleton Act del 1883.

Lo Sherman anti-trust act aveva come scopo la regolamentazione delle aziende e il contrasto a forme di organizzazione aziendali del tipo Trust. Secondo il disegno legge, lo Sherman Act si applicava ove si verificava una "restrizione al commercio". Il problema principale con lo Sherman act era il suo linguaggio vago riguardante questa clausola. Dato che la maggior parte di questa Trust non operava nel settore del commercio, ma piuttosto della manifattura, ci furono nel tempo problemi d'incompatibilità con l'atto. Quest'atto, sorprendentemente, fu utilizzato spesso contro organizzazioni operaie, che scioperando e boicottando le grandi compagnie, furono perseguite in violazione della clausola in materia di restrizione al commercio, nullificando il vero scopo della legge.

L'Interstate Commerce Act, aveva invece come scopo la regolamentazione delle tariffe ferroviarie per il trasporto. L'atto prevedeva la costituzione di una commissione federale chiamata Interstate Commerce Commission, che determinava la fissazione dei prezzi. Questo atto, nonostante ancora alcune lacune giuridiche riguardanti le competenze nel settore del trasporto, fu un iniziale successo nel uniformare il settore ferroviario.

Infine, il Pendleton Act fu un atto emanato per rinforzare il civil service e ostacolare l'operato delle Macchine Politiche cittadine nel contesto urbano. L'atto prevedeva un'aumento delle posizioni governative selezionate tramite concorso pubblico e vietava la nomina e la rimozioni di tale personale da parte di organi appartenenti alla politica.

Molte di queste campagne furono appoggiate e portate avanti dall'Movimento Populista, i cui membri erano per lo più provenienti dalla classe contadina e operaria. Successivamente il movimento sparì dopo una campagna elettorale fallimentare, basata sulla monetizzazione del argento, e varie spaccature interne riguardanti diversi temi locali. Nonostante ciò, il movimento riformista statunitense passò nelle mani di una nuova classe media, i cui membri erano dottori, avvocati o membri dell'accademia, che basandosi su nuovi concetti e idee come la meritocrazia e la gestione

scientifico e burocratico del apparato pubblico, porteranno avanti le battaglie per ulteriormente riformare le relazioni pubblico/private.

Dalla mobilitazione della classe media americana, nasce il movimento progressista americano, basato sui valori di regolamentazione governativa delle grandi aziende e in contrasto alla corruzione perpetrata dalle macchine politiche. I progressisti si identificavano in diverse movimenti in corrispondenza delle esigenze territoriali. I cosiddetti progressisti urbani, per esempio, avevano come obiettivo migliorare la qualità del servizio pubblico e bandire le macchine politiche urbane. Per ottenere ciò, i progressisti urbani si batterono per riforme cittadine in area riguardanti i servizi pubblici e l'espansione del civile service. Altre questioni appoggiate dai progressisti urbani erano la riforma sulla legge a tutela dei lavoratori e l'espansione dell'istruzione pubblica. Per contrastare le Macchine politiche, i progressisti urbani si appoggiarono alle legislazioni statali, ormai per lo più controllate da governatori progressisti e da una campagna di pubblica sensibilizzazione da parte di alcune testate giornalistiche note, come i Muckrakers, che esponevano i malefici delle Machine Politiche Urbane. Parallelamente ai progressisti urbani, i progressisti statali, di cui alcuni governatori facevano parte, iniziarono ad applicare le stesse misure locali su una giurisdizione statale più ampia, nel intento di uniformare la campagna progressista urbana. Uno dei più noti governatori progressisti fu Robert La Follette. Nel suo Stato del Wisconsin, attuò una serie di leggi a contrasto delle macchine politiche e grandi compagnie ferroviarie per ottenere più trasparenza e meritocrazia. Molti altri Stati, ispirandosi al modello di La Follette, passarono norme simili con gli stessi intenti. I progressisti rurali miravano a vietare la pratica discriminatoria delle tariffe ferroviarie per il trasporto. Il loro piano era aumentare i poteri dell'esecutivo in materia di commercio interstatale e bandire tali pratiche discriminatorie.

Con l'avvento dei progressisti nei centri urbani e rurali, allo stesso tempo, il progressismo si instaurò all'interno della politica nazionale. Nel 1900 Theodore Roosevelt divenne il primo

presidente di matrice progressista. Il programma politico progressista di Roosevelt fu soprannominato “New Nationalism”, e si incentrò sul potenziamento dell’esecutivo federale, soprattutto riguardante la regolamentazione del settore privato. Nell’ambito dell’amministrazione Roosevelt emanò importanti atti per potenziare la legislazione che regolamentava le Grandi Industrie. Alcuni esempi sono gli Elkins and Hepburn acts, emanati nel 1903 e 1906, con l’intento di aumentare i poteri e la giurisdizione del Interstate Commerce Commission. Durante la sua presidenza, Roosevelt divenne noto come il “Trust-buster” per il suo impegno nella lotta contro le grandi Trust. Esso, e a seguire, il suo successore alla presidenza William H. Taft, rinforzarono l’applicazione dello Sherman anti-trust Act, per poter contrastare efficacemente le Grandi Trust. I casi più noti furono; contro Northern Securities Co., una trust che operava nel settore ferroviario e la Standard Oil Co. di John D. Rockefeller. In entrambi i casi, il governo federale portò alla condanna di entrambi i Trust e alla loro eventuale rottura in diverse compagnie.

Un'ulteriore importante politica di Roosevelt fu l’ascesa dell’America nel teatro mondiale. A riguardo, Roosevelt decise di inseguire una politica imperialista e espansionista. A tal proposito, è importante sottolineare il rapporto stretto tra compagnie e governo, per raggiungere tali mire espansionistiche. Durante questo periodo nascono due correnti di politica internazionale: la corrente orientata dal profitto, che aveva come obiettivo l’espansione economica e finanziaria statunitense nei paesi latino americani e asiatici, e l’approccio orientato verso il potere che poneva come traguardo la supremazia statunitense negli emisferi americano e asiatico. Pertanto, Roosevelt combinò questi due approcci, che vedeva indispensabili per ottenere una zona di influenza. Qualora una compagnia americana si fosse trovata in difficoltà in un paese estero, il governo americano sarebbe intervenuto militarmente in soccorso di essa. Allo stesso tempo il governo americano, tramite queste compagnie, esercitava l’influenza nei paesi d’interesse e impediva alle altre potenze di influenzare economicamente l’area egemonica americana. Con l’avvento di Taft alla presidenza, il rapporto tra industria e governo si intensificò con la politica della “Dollar Diplomacy”. Questo approccio di

politica estera comportò un ulteriore intervento da parte del governo nel proteggere militarmente le proprie aziende all'estero, come ad esempio l'occupazione americana del Nicaragua.

L'ultima nota presidenza progressista fu quella di Woodrow Wilson. La sua piattaforma politica progressista fu denominata "New Freedom", che contrariamente al "New Nationalism" di Roosevelt, presentava l'individualismo e i vecchi valori della democrazia americana centrali nel riformare la società. A tal proposito, Wilson si distinse da Roosevelt nell'approcciare il problema delle Trust. Wilson preferì un aumento nell'ambito della legislazione anti-trust, al posto di creare agenzie governative che andavano a regolamentare il settore industriale. Durante la sua presidenza, nel 1914, furono emanati due importanti atti: il Clayton Anti-trust Act e il Federal Trade Commission Act. Il Clayton Act andava ad espandere lo scopo dello Sherman Anti-trust Act, mentre il Federal Trade Commission Act predispose la creazione della Federal Trade Commission con poteri investigativi e giudiziari nell'ambito delle norme comportamentali aziendali. Quest'ultimo fu un'eccezione all'approccio Wilsoniano di non creare agenzie governative federali.

Nel dopoguerra, gli Stati Uniti entrarono in un periodo storico noto come "i ruggenti anni venti". Questo periodo fu caratterizzato da una crescita economica esponenziale, e un intervento minimo da parte del governo nell'economia del paese. Durante gli anni venti, le industrie americane aumentarono drasticamente la produzione, senza aumentare gli stipendi dei lavoratori. Questo portò ad un aumento di prodotti non acquistati, a causa degli stipendi ridotti. Questo portò le industrie ad una perdita economica, provocata da tale eccesso di produzione.

Un'altra problematica di questo periodo fu la speculazione del mercato azionario. La famosa "febbre da mercato" portò molti americani a chiedere prestiti al margine per comprare azioni. Tali prestiti potevano essere particolarmente lucrativi se il valore delle azioni aumentava, diversamente se i prezzi si abbassavano potevano causare ingenti perdite di denaro. Con la fine degli anni venti, il mercato azionario iniziò a traballare fino al famoso crollo di Wall Street, dove i prezzi delle azioni scesero vorticosamente. Pertanto, molti investitori, presi dal panico, dovettero vendere in massa le

loro azioni, causando la chiusura di molte aziende e banche; ciò diede inizio alla Grande Depressione. Il governo federale, guidato dalla amministrazione di Herbert Hoover, non riuscì a sanare il problema economico con le proprie riforme.

Nel 1932 venne eletto presidente Franklin Delano Roosevelt. Egli iniziò una serie di riforme, note come “New Deal” , il cui scopo era aumentare i prezzi e diminuire la disoccupazione. Nascono così molteplici programmi sociali, tra i più noti vi sono: Agriculture Adjustment Act (AAA) per sostenere il settore agricolo e il National Recovery Act per la ricostruzione industriale. Seppure il New Deal non fu una delle principali soluzioni alla crisi economica, ebbe comunque un importante impatto nella collaborazione tra l’apparato pubblico e privato. Tutt’ora, molte delle istituzioni create da Roosevelt sono presenti e continuano ad operare nella regolamentazione sia pubblica che privata.

