Rough Course Schedule:

1. The Colonial World: 1607-1790
2. The “Market Revolution,” 1790-1830
3. The Civil War Era, 1830-65
4. Civil War, Reconstruction & The Gilded Age 1865 to 1900
5. The Age of Reform & the Paradoxical 1920s
6. Modern Foundations: Depression, New Deal, & War 1930-1945
7. Postwar Contradictions, 1945-70

Today’s Topics:

I. The “Gilded Age” Economy, 1865-1900
II. Economic Developments in the Progressive Era, 1900-1920
III. The Paradoxical 1920s
WHEN
WASHINGTON
SHUT DOWN
WALL STREET
The Great Financial
Crisis of 1914 and the
Origins of America’s
Monetary Supremacy
William L. Silber

Washington, D.C. August 2, 1914
It would not surprise officials in Washington if
Treasury Secretary McAdoo used his influence in
New York to keep the New York Stock Exchange
in a state of constant activity. The fact that the
exchange may be made to be is expected to show the
Government does not look kindly upon the suspending
of the exchange at this time.

MELLON
DAVID CANNADINE

Pallas & Ceres sitting
beside cotton plants
and on cotton bales

Question: Claudia Garrison
One Answer: Pitt the Younger
Democrats sought to lower the tariff & introduce an income tax to make up for lost revenue.

1894 Tariff Act: Reduced tariff rates and, for compensatory revenue, imposed a 2.5% tax on income over $4,000.
First Peacetime Income Tax
(2% on incomes over $4,000 (1% of population))

Brief History of Taxation:
Article I, Section 8, Clause 1 of the Constitution assigns Congress power to impose “Taxes, Duties, Imposts & Excises”

Taxation: Hamilton’s Federalist No. 33: the “Necessary and Proper” clause provides guidance for taxation legislation

Recall that Lincoln & the Republicans introduced the first income taxes in 1861, 1862 & 1864 to pay for the Civil War
Supreme Court Strikes Down Income Tax, 1895

- 5-4, *Pollock v. Farmers Loan & Trust* (1895)
- 16th Amnd., (1913) allows income tax

An Eccentric Ruling from the Melville Fuller Court, ignoring all precedent since the Civil War. (*Springer v. US*, 1881, 7-0)

“Panics” & Unemployment

*Cleveland begs Wall Street Giants for Bailouts & Liquidity*
1894

Coxey's Army

Jacob Seehl Coxey (1854–1951) was born here. In 1894 he led a march of unemployed workers, popularly known as "Coxey's Army," on Washington. Public works programs and relief measures were asked. This focused attention on the plight of the unemployed.

Pennsylvania Historical and Museum Commission

AND AFTER ALL THE PHILIPPINES ARE ONLY THE STEPPINGSTONE TO CHINA
The Age of Reform

Questions?

The Progressive Era
Roosevelt did not pursue a bold agenda between 1901-1904 (Unlike LBJ in 1964)

Worries about 1904: Inhibited TR from robustly pursuing economic change or social justice

TR’s difficulties with the GOP: (1900, 1901, 1904, 1906, 1907, 1908, 1912, 1916, 1920)

On social justice issues, TR was held back by his racial views
He embraced a crude Social Darwinism & Anglo-Saxon superiority

THEODORE ROOSEVELT and the IDEA of RACE
Thomas G. Dyer

SEPARATE
THE STORY OF PLESSY V. FERGUSON, AND AMERICA'S JOURNEY FROM SLAVERY TO SEGREGATION
STEVE LUXENBERG

Post Plessy
Segregation of government offices and discriminatory hiring practices introduced
On economic issues, TR endeavored to create an administrative state committed to aggressive corporate regulation.

Panic of 1907 (October 22)

Unstable
Knickerbocker Trust Company triggered runs on NYC banks.
Panic of 1907

- Panic further destabilizes shaky banking system
- $68 million in private money distributed; fails to calm fears
- Provocation for Fed

TR as “Jack,” facing the Wall Street giants. US government, hat in hand, once again goes to Wall Street for bailouts and capital infusions.

TR Cartoon Similar to Cleveland begging Wall Street Giants for Bailouts
TR's More Progressive Turn, 1908-1909 (see cartoon text)

- TR called for:
  - More corporate regulation
  - Federal income tax
  - Inheritance tax

Alienated him further from GOP

Anticipated problems with 1908 succession

Anticipated 1912 split
TR’s 1912 Progressive Agenda

- Votes for women (19th)
- Minimum wage (FDR)
- Inheritance taxes (FDR)
- Old-age pensions (FDR)
- Corporate regulation (FDR)
- Women’s min. wage (FDR)
- SCOTUS checks (?)
- Health care for all (?)
- Campaign Finance Reform (?)

“I do favor the imposition of an income tax” -- President William Howard Taft, March 1909

Republican Senator Nelson Aldrich, Chair of the Senate Finance Committee, responded with fury

Thomas Woodrow Wilson: Self-described “Son of the South”
Grew up in the Confederacy.  
Father was a Confederate army chaplain.

The Wilson administration escalated discriminatory practices to new levels.

Post-Plessy: Segregation of government offices & discriminatory hiring practices.

The Federal Reserve Act of 1913: Creates a Federal Reserve System

Made up of a Federal Reserve Board & twelve regional reserve banks

Nelson Aldrich responded with fury

Introduction of a Permanent Federal Income Tax 1913 (!)
Federal Revenue by Type:
Note the tariff (yellow)
Note the income tax (red)
One of the Most Consequential Tenures at the Treasury

- Hamilton, 1789-95
- Albert Gallatin, 1801-14
- Salmon Chase, 1861-64
- WG McAdoo, 1913-1918
- Andrew Mellon, 1921-32
- William Woodin, 1933

**The Panic of 1914**

McAdoo & Benjamin Strong

1914 Crisis:
Federal Reserve System provided structural guidance (regional districts).
Income taxes provided the promise of capital & liquidity.

44 Districts:
Federal Government Preemptively Provided Banks with Capital
Q: Why did market, currency & bank rescue succeed in 1914 but not in 1929?

A: It was never tried in 1929

What about 1933? Did McAdoo's 1914 actions influence FDR's 1933 banking rescue initiatives?
Other People's Money and How the Bankers Use It

- “Our Financial Oligarchy”
- “Where the Banker is Superfluous”
- “A Curse of Bigness” (To Big to Fail)
- “The Inefficiency of the Oligarchs”

First Jewish justice in U.S. history. First prominent scholarly critic of capitalism

Wilson’s (Economic) Progressive Bonafides: Appoints Louis Brandeis to the Supreme Court, January 1916
1917: The US Enters the War
Income Tax in Place
Federal Reserve System

Progressives at War
DOUGLAS D. CRAIG

U.S. had been economically preparing for war since 1914

Votes for Women

Women's Suffrage 1919

Women's Suffrage
Presidential Suffrage
Presidential & Municipal Suffrage
Local School Elections
Municipal Suffrage in Charter Cities
No Suffrage
The Allies proved economically stronger than the combined output of the Central Powers.

The US had by far the largest economy with the broadest & most reliable sources of revenue.

US food & steel, in particular, contributed to keeping the Allies supplied.

U.S. Trade SURGED During the War.
Iron & Steel Exports

Questions?

The Paradoxical 1920s
Challenges of the 1920s

- Postwar Readjustment
- Reconversion
- Postwar Depression
- The New Economy
- Automobiles (25% to 60%: 13% per year)

Recession of 1919-1921:
GNP shrinks 20%
Unemployment rises to 10%