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Roosevelt: The Maker of a Superpower--Fighting the Fat Cats

By Richard Lacayo

• *To put the brakes on the growth of huge, monopolistic corporations, Teddy took on one of the nation's richest men: J. Pierpont Morgan*

We know Theodore Roosevelt well from photographs--that round, fully fleshed face, that swelling neck, those teeth. How many people know that we have a record of his voice as well? During his 1912 presidential campaign, Roosevelt was recorded several times on Thomas Edison's wax-cylinder technology. His voice, it turns out, is not quite what you would expect from his pugnacious appearance. The tone is patrician, cultivated, almost professorial. It has accents not so different from the ones you hear in the voice of that other Roosevelt, Franklin. Old money courses through every syllable.

Roosevelt's voice is a reminder that he was a descendant of a wealthy old New York family. In an age of robber barons and their heaped-up millions, Roosevelt's net worth was modest compared with theirs, and as a young man, he lost considerable money in his disastrous attempt to become a cattle rancher in the Dakota Badlands. But all his life he moved easily in a world that dressed for dinner. When he led the Rough Riders, it was in a uniform from Brooks Brothers.

All the same--and with good reason--America's business elite was wary of Roosevelt from the start. He turned out to be the first President to aggressively use the powers of government to set rules for the headlong U.S. economy and the men he called "malefactors of great wealth." When President William McKinley chose T.R. as his running mate in 1900, Ohio Senator Mark Hanna, the business-friendly G.O.P. power broker who had engineered McKinley's rise, was horrified. "Don't any of you realize," Hanna raged at fellow Republicans, "there's only one life between this madman and the presidency?" As Governor of New York, the job he occupied before joining McKinley's ticket, Roosevelt had pushed legislation to clean up sweatshops, strengthen state inspection of factories and cap the workday at eight hours. He was by no means a radical, as every radical would tell you, but he was convinced that if the legitimate grievances of laborers and the poor were not addressed, they would rise up to take matters into their own hands.

By comparison, McKinley had been everything a robber baron could hope for in a President. He consulted with Wall Street on economic policy, kept tariffs high--they protected American industry but meant higher prices for consumers--and never moved to curb the growth of trusts, the huge enterprises that gathered together smaller companies to form near monopolies. Oil, steel, rubber, copper--one after another, the major sectors of the U.S. economy were becoming dominated by behemoths like John D. Rockefeller's Standard Oil, which marketed 84% of all the petroleum products in the U.S. As large companies gobbled up smaller ones, McKinley did nothing to spoil the feeding frenzy, though it often meant higher prices and lower wages. The Sherman Antitrust Act, passed in 1890, was a feeble weapon to begin with--the Supreme Court had restricted how it could be used--but McKinley didn't even take the trouble to use it.

All of that was fine to men like Rockefeller. "The day of combination is here to stay," he once said. "Individualism is gone. Never to return." He hadn't reckoned on Roosevelt. Five months into his

presidency, T.R. took Wall Street by surprise. He launched an antitrust suit that demanded the breakup of Northern Securities, a holding company organized to consolidate three railroads in the Pacific Northwest. By targeting that company, Roosevelt had also chosen to move against the man who epitomized the empire of money, New York financier J. Pierpont Morgan.

Beefy, saturnine and phenomenally wealthy, with a plump red nose caused by the skin disease rhinophyma, Morgan held immense power over the U.S. economy. In a day when there was no Federal Reserve to control the money supply or tweak interest rates, he operated at times as the nation's one-man central bank. By withdrawing his approval from a shaky deal, he could cause a panic. By pouring millions into tottering banks, he could end one. He did more than assemble capital for new ventures. He took over mismanaged companies, installed his own men and supervised operations. As he exercised his godly powers, he could not abide interference. Jean Strouse, one of his most thorough biographers, has cast doubt on whether he actually spoke the words that have been endlessly attributed to him: "I owe the public nothing." But if he didn't say them, he should have. As a summary of his lifelong outlook, they could hardly be bettered.

Like Rockefeller and Andrew Carnegie, Morgan believed in free enterprise but had seen enough of unbridled competition. For much of his career, he had assembled financing for the railways whose stupendous growth had revolutionized the U.S. after the Civil War. Boom and bust, duplicated routes, desperate price cutting and collapsed enterprises--the bumpy realities of the railroad business left Morgan with a horror of economic disorder. Profits required stability. Stability required concentration. Concentration meant trusts.

As it happens, Roosevelt's outlook was not entirely different. He didn't dispute the benefits of large-scale capitalism, and he thought of huge enterprises as an inevitable development of the industrial age. He understood the idea of economies of scale. Wisconsin Senator Robert La Follette and William Jennings Bryan, the perennial standard bearer for the common man, might have wanted to dismantle everything bigger than a hardware store. What Roosevelt wanted was simply to regulate the big outfits. For starters, he wanted to compel them to open their books. Quarterly reporting in the corporate world was still a novelty and always voluntary. He wanted the government to see into companies' workings so it could judge which combinations were tolerable and which were illegal restraints of trade. "We draw the line against misconduct," he said. "Not against wealth."

In his business affairs, Morgan was a man accustomed to handling things personally. One of his biggest objections to the way Roosevelt had sprung the Northern Securities suit was that the President had not quietly tipped him in advance. Large sums of borrowed money were at stake, and the abrupt attack by the Justice Department had rattled the markets. In Morgan style, he went personally to Washington to meet with Roosevelt and Attorney General Philander Knox.

Roosevelt left a recollection of the meeting, which remains a classic moment in the history of dealings between business and government. In that account, Morgan asks Roosevelt why he had not quietly allowed Morgan to take care of the problem without resorting to the courts.

Morgan: "If we have done anything wrong, send your man to my man and they can fix it up."

Roosevelt: "That can't be done."

Knox: "We don't want to fix it up, we want to stop it."

There in brief was the divide between the new President who had a whip in his hand and the veteran financier who could barely imagine that whips could be wielded by anyone in Washington. After Morgan departed, Roosevelt confided to Knox his bemusement at the financier's manner. Morgan, T.R. said, had acted as though the President of the U.S. was just "a big rival operator."

Roosevelt directed Knox to continue to pursue his suit. All the same, Roosevelt remained open to more cooperative dealings with Morgan. For all his tough talk, Roosevelt really was willing to cut deals. But he wanted the business world on notice that the days of freewheeling combination were over. And Morgan had reason to play ball with Roosevelt. Northern Securities was only one of the many trusts he had assembled. General Electric, Western Union, International Harvester, Aetna Insurance--he controlled them all. Just a year earlier, he had put together what was then the world's

largest corporation, U.S. Steel, whose \$1.4 billion in assets was equal to 7% of the nation's gross national product. Roosevelt recorded that in their meeting Morgan had asked him bluntly, "Are you going to attack my other interests, the Steel Trust and others?" Roosevelt's answer couldn't have been entirely reassuring: "Certainly not--unless we find out that in any case they have done something wrong."

Though Roosevelt's Justice Department went on to bring 44 more antitrust suits in the course of his presidency, he never attacked any other of Morgan's interests. He even used Morgan as a mediator to help settle a Pennsylvania miners' strike that threatened to create a winter scarcity of coal for heating. And when he ran for President in 1904, Roosevelt was not above accepting campaign contributions from the very businesses he was pressuring, though he was so careful not to show them any favor in his second term that Henry C. Frick, one of Rockefeller's lieutenants, was left to grumble, "We bought the son of a bitch, but he wouldn't stay bought."

The suit against Northern Securities eventually landed at the Supreme Court, and Roosevelt won a narrow but crucial victory that opened the way for more aggressive use of the Sherman Antitrust Act in other cases. He also established a Department of Commerce and Labor, which included a Bureau of Corporations to monitor the budding monopolies. Roosevelt endlessly reassured Big Business that he intended merely to keep an eye on its conduct. But he let it be known that he meant business too. Only "the corporation that shrinks from the light" would have anything to fear from government, he once said. Then he added, "About the welfare of such corporations we need not be oversensitive."

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