A Spectre Is Haunting America: An Interpretation of Progressivism*

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Introduction

The Progressive Era and the eighteen-nineties immediately preceding it have probably been the foci of more superior scholarship than any other periods in American history. Yet, as the volume of research has increased, the divisions in interpreting the data are sharper now than ever before. Until 1962–1963 and the publications of Gabriel Kolko's *Triumph of Conservatism* and Robert Wiebe's, *Businessmen and Reform,* our understanding of progressivism was fairly uncontroversial. While I may be doing an injustice to some fine scholarship—notably the work of George Mowry—the progressives who came on the scene in the early twentieth century and seized power during the Presidential administrations of Theodore Roosevelt and Woodrow Wilson were virtuous middle class reformers fearful of the power of big business to do evil. Accordingly, through their efforts and over the opposition of big business, progressive legislation curbing business excesses was enacted. The Progressives were an economically secure, highly articulate group which reflected the rise of new middle class elements, particularly professionals. And, like the Constitutional Founders, they viewed themselves as the educated elite alone capable of giving effective government and dispensing justice.[1] Substantively, progressivism was allegedly dedicated to the "conviction that the functions of government . . . [were] too restricted and that they must be increased and extended to relieve social and economic distress."[2]

This simple picture was challenged in 1962 and 1963 by the Wiebe and Kolko works which, though they differed sharply in many respects, shared a common challenge to the conventional view of progressivism. Both of these meticulously researched works demonstrated that at least substantial seg-

* The original version of this paper was delivered at the Sixth Annual Libertarian Scholars Conference, held in October 1978 at Princeton University.

ments of the business community actively favored the reforms which, under the conventional view, they should have opposed. Wiebe's position, difficult to succinctly summarize, is that businessmen varied in their responses to reform, sometimes opposing, sometimes leading and sometimes adjusting differences with other strata. Nevertheless, businessmen were on balance the single most important factor—or set of factors—in developing reform, and in any event they set limits upon reform options.[3] The Kolko work and the studies based upon it have advanced the theory of political capitalism: "the utilization of political outlets to attain conditions of stability, predictability and security—to attain rationalization in the economy . . . [through] federal economic regulation . . . generally designed by the regulated interest to meet its own end, and not those of the public or the commonweal."[4]

Notwithstanding the necessary corrective appeal by the Kolko and Wiebe hypotheses, I am going to suggest that they are incomplete; and after briefly criticizing them, I will offer an alternative hypothesis regarding progressivism, using the enactment of the Federal Reserve Act (1913) as my principal example. I have found Kolko's hypothesis deficient in my study of the 1914 Federal Trade Commission and Clayton Acts for a number of reasons.[5] But generally I find it restrictive in a number of ways by not examining a larger part of the era's ambiance. Thus, while one may concede that the FTC and Clayton Act were *in part* intended to attain conditions of stability, Kolko ignores the fact that the Acts were also intended to attain ends that produced instability by reaching such stabilizing private practices as collusive price-fixing. Moreover, during this period the Sherman Act, which was directed against cartel practices and monopolizing, was not suspended; it was enforced with some vigor by the Justice Department. Notwithstanding early adverse court decisions, the Department of Justice pressed forward in its prosecutorial efforts bringing both big cases such as *Standard Oil* and *American Tobacco,* as well as more mundane price fixing cases.[6] More important, it was during the latter part of the Progressive Era that the government prepared a series of major cases against the stabilizing practices of trade associations.[7]

The second major problem that I find in the Kolko hypothesis is its inability to explain why social forces other than business interests—and, indeed, sometimes hostile to big business—favored Progressive Era legislation. Was Louis Brandeis a knave who secretly favored big business, notwithstanding his public behavior to the contrary? Or was this man, widely considered one of the most brilliant legal minds in our history, incapable of understanding the meaning and implications of statutes presumably designed in the interests of big business? I have never seen any evidence to remotely support affirmative answers to these questions or which would show, consistently with Kolko's hypothesis, why William Jennings Bryan supported the Federal Reserve Act, if it was nothing more than a big bankers' statute. And any explanation of progressivism must embrace the diverse forces and interests which supported the same legislation. Using the Federal Reserve Act as an example, I will try to show why Bryan, bankers and industrialists supported the Federal Reserve Act—and why Robert M. LaFollette opposed it.

The same problem of placing the new economic statutes in a wider context plagues the other major revisionist work. Wiebe's hypothesis is at once simpler and yet more elusive than Kolko's concept of political capitalism. Its showing of business often taking the leadership in reform efforts coupled with divisions within the business community is pressed with enormous and persuasive documentation, yet neither in *Businessmen and Reform* nor a more comprehensive study of the period between 1877–1920 do we learn much about the nature of the non-business reformers, other than that they were middle-class, professional, highly educated and devoted to a wide variety of reforms triggered by the needs which arose from the transition from a rural decentralized society to an urban one dominated by large organizations.[8] There were a great many novel policies adopted during the Progressive Era having nothing *ostensibly* to do with business reform. These included tenement housing laws and zoning laws at the local level in eastern and midwestern cities as well as the imposition of a variety of "Jim Crow" laws and election "reforms" in the South. Was it nothing more than coincidence or, at best, the growth of urban areas which could tie together business regulation with the variety of other reforms undertaken during the same period? Was it purely coincidence that, as C. Vann Woodward observed, "the typical progressive reformer rode to power in the South on a disenfranchising or white-supremacy movement" and that "racism was conceived of by some as the very foundation of Southern progressivism"?[9] It is in making these and other connections that Wiebe is elusive. Certainly the growth of urban areas and large organizations created novel problems, but why were certain specific policies rather than others chosen for their solutions? And is there some underlying link between the solutions chosen? In the next section, I will undertake to provide a hypothesis which incorporates much of the brilliant research accomplished by Kolko, Wiebe and their followers and, at the same time, meets the objections I have raised to their work.

A Theory of Progressivism: Form

The era of the eighteen-nineties, it is widely agreed, was one of sharp class antagonism. Not only the rise of the People's Party, but the growth of a viable trade union movement in the Knights of Labor and other organizations as well as the development of a populist-labor alliance were manifestations of this class antagonism. To make matters even worse, from the perspective of the propertied classes, disadvantaged groups were taking matters into their own hands and undertaking actions outside the realm of conventional political activity. The Coxey Industrial Army which involved groups of unemployed men marching on Washington is only the best–known of several such "armies." Even worse was the great strike of the United Mine Workers in the central bituminous field which immediately followed the collapse of Coxey's Army in 1894. But no sooner had this ended when the Pullman boycott, one of the most bitter labor-management struggles in our history, took place. In each of these cases not only were the actions broken by troops, but the leaders became members of the People's Party. I recount these well-known events in order to provide a backdrop for progressivism.[10] For just as Shays' Rebellion was one of the major events leading to the adoption of a Constitution which deliberately reduced mass participation in national politics by limiting popular participation to the selection of but one part of one branch of government (the House of Representatives), so progressivism is, first, a response to the "excessive" participation of masses in public affairs during a later period.

It is in this context that we can integrate the findings concerning the elitism of some of the major progressive figures. Mowry is worth quoting extensively here:

> . . . [B]enign change scarcely issued from the masses. Rather it was only accomplished through the instrumentality of a few great and good men. Woodrow Wilson believed that efficient government could come only from an "educated elite", William Kent thought that progress never came from the bottom, and Roosevelt often spoke of government as the process of "giving justice from above". . . . In 1912 Walter Lippmann wrote that since men could do anything but govern themselves, they were constantly looking for some "benevolent guardian." To the progressive politician that guardian, of course, was patterned after his image of himself.[11]

While this summary is perhaps too sweeping, not taking into account, for example, Herbert Croly's 1914 conversion to the view that active mass participation in public affairs was a virtue, it accurately characterizes progressive thinking and indicates its utility in stemming the spectre that was haunting America.[12]

Progressivism's first cornerstone, then, was the construction of new institutions and political devices that would reduce public participation in political decision-making. Thus, to take the example upon which I will concentrate later in this paper, the creation and the later development of the Federal Reserve Board represents, in a political sense, the transformation of an issue constantly before the public during the latter part of the nineteenth century to one removed from the glare of the public eye. While one must be careful not to overstate what I think is a clear case, many political campaigns in the latter part of the nineteenth century focused on related issues of credit, currency and banking. Radical third–party movements as well as some of the major mobilizations that took place during this period centered their demands and panaceas around these issues. The public was invited to engage in political activity over these issues, and it was not uncommon for illiterate farmers to forcefully voice their views upon complex money questions. But since the establishment of the Federal Reserve Board, these same issues have been decided by unelected officials and private bankers shielded from public view, rendering what are essentially decisions involving political choice under the guise of expertise. The Federal Reserve Board, then, illustrates two of the new institutions and devices developed by progressivism: rule by expert and rule by an agency or board insulated from public participation. While the two often went hand in hand, they should be separated analytically for the purposes of this discussion.

Rule by expert received its first major impetus before the Progressive Era and is also connected with a related development in the business sector—the development of scientific management.[13] While scientific management embraces a great deal, one aspect of it emphasized by Alfred Chandler is the assumption of decision-making authority in large corporations by managers—the new business experts—and financiers—themselves expert in corporate finance. And in speaking of railroads, the first example of scientific management, Chandler observes that, "The speculators, small investors and large capitalists contributed little" to their managements.[14] In other words, precisely the same process of shielding decision-making authority from constituency control or input that had been occurring in the world of business was a natural intellectual tool for the progressives to adopt. One sees the parallel made even prior to the Progressive Era when in 1868 the National Manufacturers Association supported a civil service bill, urging "that for the integrity and permanence of our Government, it is indispensable that public affairs be conducted on business principles," and that it was therefore necessary "to place men more competent and reliable in places of honor and trust."[15] The idea of the expert was taken up vigorously by progressives, and one sees this theme developed virtually ad nauseam by the proponents of the Federal Trade Commission during the debate over establishment.

Rule by expert received its most important impetus during the Progressive Era in the municipal reform movement, a perfect example of reducing mass participation in public affairs. As Samuel Hays has shown, the impetus for municipal reform came from local business elites and the leaderships of professional associations allied with them. Because municipal government was highly decentralized and based on ward needs, not perceived metropolitan needs, business leaders sought reform which would centralize municipal authority in the hands of managerial, rather than elected, officials. Business leadership sought this change because such city infrastructural needs as traffic flow, health control (epidemics could spread anywhere in a city and did not know class boundaries), sanitation, safety, flood control, etc. could best be handled centrally. But the forms they sought for the policy-making in these areas were usually either the city manager (akin to the business manager) or administrative boards or agencies. The strategic choice was usually dependent upon the nature of local politics, but the intended result in either event was rule by expert. It is in this context that such apparently democratic reforms as the initiative, referendum and recall must be placed; for, as historian Samuel Hays, upon whose account this discussion of municipal reform is largely based, observed, these were ". . . only an occasional and often incidental process of decision-making. Far more important in continuous sustained, day to day processes of government were those innovations which centralized decision-making in the hands of fewer and fewer people."[16] Such campaigns, costly to mount and difficult to manage, are best undertaken when there is salient public concern over an issue. But the structure of progressive reform is precisely the opposite—to remove policy areas from public concern. Thus, the initiative, referendum and recall were largely symbolic virtues, creating the façade of public control while assuring the opposite.

It is within this framework that we can understand the apparently opposite direction taken in the South. For there were special problems for the Southern progressive stemming from: (1) the great strength exhibited by populism in that region, and (2) the continuing heritage of black–white antagonism. Here, as Vann Woodward has shown, legislation lumped together under the term "Jim Crow" laws came into existence during the late eighteen-nineties and the first part of this century. Accompanying the Jim Crow segregation laws were a variety of schemes which restricted the suffrage. In the past, these laws, which included the poll tax, literacy requirements and property requirements for voting, were enacted to prevent a possible resurgence of Republican Party strength in the South. Additionally, these laws were pressed by the Democrats, and especially the progressives among them, in an attempt to reconcile white classes who had become bitterly divided previously and to reduce participation of lower class whites who had traditionally supported the Populists and prior leftist third–party movements. According to Woodward, conservatives deliberately relied upon latent negro-phobia to accomplish these goals.[17] Indeed a Louisiana proponent of the poll tax observed in 1898 that it "gets rid of most of the negro votes . . . but it gets rid of a great many whites at the same time—in fact a majority of them."[18] And the same would apply to these various other policies. Given my interpretation, C. Vann Woodward should have been surprised at all that the leading Southern progressives and the leading

Southern racists were the same people! Nor that Southern progressives took the leadership in other policy issues at both the state level and, like Carter Glass and Josephus Daniels, at the national level.[19] The underlying formal unity was the attempt to reduce mass participation in meaningful policy-making.

From what we have seen thus far, the insulation of the public from public affairs might take place in a variety of ways. The use of experts presumably operating outside the realm of politics, as if experts do not have values and need not make choices based upon them, was one of the major mechanisms. The regulatory agency which vested a great deal of discretion in these "experts" was one of the most important mechanisms. And the "experts," taking their alleged expertise very seriously, complied by employing an exotic vocabulary which most of the public could not understand and therefore lost interest in—a legacy of progressivism still very much with us. But sometimes an explicit statute could accomplish the same purpose of insulating the public from decision-making without the need of resorting to either an administrative agency or experts. Sometimes reasonably explicit standards and an ambiguous standard could be joined together as in the case of the Clayton and Federal Trade Commission Acts. The complexity of the subject matter and the perceived need for continual preparation of new regulations appear to be important variables in this regard—although political strategy also played a part. Thus, banking is highly complex and needed continuous regulation, whereas electoral restrictions are fairly simple and require enforcement rather than the preparation of new regulations. Regardless of the method chosen, the insulating effect I have described is the same. But while the form of progressive legislation has a continuity, is there an overriding mission that may be perceived in progressivism? I turn to this subject next—the substance of progressivism—and begin again with the spectre haunting America—populism.

A Theory of Progressivism: Substance

The place to start in attempting to develop an embracing substantive position of progressivism is with the class positions of the movement's leadership. And when we do this, we observe that both the traditionalists and the revisionists are correct! Progressive leadership certainly included middle-class reformers and professionals, but it also included, as Kolko, Wiebe and their followers painstakingly demonstrate, businessmen. To further complicate the matter, many of the middle–class reformers (and many of the businessmen) would often rail against "Wall Street," "the monopolies" and "the trusts." Yet, it was entirely possible for them to collaborate in the same political party, for example the Progressives, one of whose leaders was J. P. Morgan's partner George W. Perkins—the very essence of "Wall Street." It was also possible for railroad barons and these same middle–class reformers to join together in supporting such legislation as the Elkins Act of 1903, which eliminated railroad rebates.[20] Indeed, most Progressive Era legislation illustrates this peculiar coalition between *apparently* antagonistic groups, and unless we again take the easy way out and assume an underlying deceitful conspiracy on the part of the reformers—which I am unwilling to do—some underlying basis of coalition must be found. When we do this we will be in a position to understand the basis for coalition between two groups, notwithstanding sincerely felt antagonism. Like the Soviet Union and the Western Allies during World War Two, they feared something more which overrode the antagonism between them.

The starting point, again, is the spectre of populism. During the eighteen-nineties the Republican progressives of the twentieth century were largely conservative relative to populism. Theodore Roosevelt, Lincoln Steffens, William Allen White and even Robert LaFollette had supported McKinley. Democratic progressives, such as Woodrow Wilson, either supported the Gold Democrats in 1896 or remained silent during that campaign. And, contrary to what is now a very strange myth, William Jennings Bryan, who received the Democratic nomination in 1896, was no populist and merely formed an uneasy alliance of expediency with them over support of a very narrow common program centered on the coinage of silver. And as if to highlight the differences between them, the Democrats nominated for the vice presidency Arthur Sewall, a conservative banker and shipping magnate, who was unacceptable to the People's Party. Bryanism, then, was one strategy of dealing with the disturbing popular movements, which we described before. It was a strategy rejected by most middle-class and business reformers, but it set a priority on adopting a superior strategy and a program which would be more attractive and effective than the near-socialist program of the People's Party. Such a program would not only have to be attractive, but would have to be developed within the framework of existing property relationships. While the prosperity which followed McKinley's election in 1896 and the deflection of popular attention to international matters during the Spanish-American War period rendered the development of such a program less immediately urgent, the need was still there, and what had been recognized by some during the eighteen-eighties and -nineties became a groundswell after the turn of the century.

Progressivism, then, substantively consisted of a body of ideas designed to maintain existing property relations. Notwithstanding substantial divisions within the progressive ranks, they feared something worse. And like intelligent people, they did not wish to await worsened conditions before acting; the Socialists, it will be recalled, began their rise after the demise of the

Populists, although they never attained the strength of the latter. The central problems, then, for the progressives were how to: (1) reform institutions in such a way as to maintain existing property relations, (2) make economic and other institutions work more effectively, (3) shape institutions whereby major business interests could settle policy differences among themselves out of public view, and (4) devise means to make the lower classes more quiescent so as to prevent a repetition of the disorder, turmoil and mobilization of the previous era. These problems *individually* were not new ones, and means had been developed to solve them prior to the Progressive Era. Their coalescence into one set of integrated problems and the form used to solve them, which I described in the last section, *was* new and is the essence of progressivism. Of course, not every one of these problems arose in connection with every issue raised during the Progressive Era, but in general issues which were defined then in the context of progressivism were solved in such a way as to meet the above four goals. And when we examine these problems as a unit, we can see how middle–class social reformers would join with hard-nosed businessmen in support of the same solutions. For example, as Stuart Brandes has shown in his study of ways in which industrialists sought to improve the lives of their workers, they engaged in such philanthropy in order to stave off labor unrest, prevent strikes and prevent unionism.[21] Yet middle–class reformers would support better housing, more recreation and adequate education for workers in order to better their lot and instill "virtuous" behavioral patterns in the working class.

Let us examine one of the progressive reforms on the local level in order to make the argument more concrete. Tenement housing laws have been selected because, while the foregoing theory may be readily applied to economic regulation, it may not be as apparent as in the case of what is usually considered social legislation. The Tenement House Law of 1901, enacted in New York and later copied in other states, was enacted at the behest of business interests and social reformers for a very simple reason—fear of the spread of tuberculosis.[22] Tenants, largely immigrants, unaware of rights and largely disorganized, played no part in the enactment of this legislation. But a more general set of concerns beyond the immediate tuberculosis problem led to the enactment of laws enlarging landlords' obligations to tenants. And in this respect it is important to appreciate that large capitalists were almost never tenement landlords, who were usually of modest means. Thus, larger interests would not be treading upon any major toes if an overriding principle led to restrictions on tenement landlords. And that overriding principle was the need to indoctrinate the immigrant working class with values which would integrate them into the American system. Quoting the very explicit concerns of a New York State Assembly committee, historian Roy Lubove concluded "the slum . . . did not represent simply an economic or sanitary problem. . . . [It] threatened to disrupt social stability and order. Reformers assumed that improved housing conditions would assist in transmitting to the immigrant and working class population of the city middle class manners, culture and morals."[23]

The slums were perceived as a breeding ground not only of personality characteristics and standards inconsistent with appropriate work and social habits, but of class conflict as well. Consequently, after a well-publicized investigation of slum housing, the 1901 New York statute was supported by virtually every element except slum landlords and speculative builders. And like most Progressive Era public policy directed toward the working–class poor, tenement housing legislation sought to rescue the victims from the "bad" consequences of their poverty, and not from the poverty itself. It sought to accomplish this by regulating the subject entrepreneurs without disturbing private ownership itself.[24] It did this by imposing standards of maintenance, repair and occupancy upon landlords. The Act set up administrative machinery to specify standards of health, safety, fire protection, sanitation, light, ventilation and cleanliness. The administrative body was to be staffed by experts who would conduct hearings on the precise standards to be adopted and whether violations of their rules occurred. A host of remedies were provided to enforce standards including inspection, posting of violations, administrative remedies, civil and criminal sanctions. Notwithstanding these and additional remedies, experts have generally concluded that while these laws have raised housing standards above what they were at the beginning of the century, they are difficult to enforce, easily evaded and have failed to stop the spread of urban blight.[25]

Tenement housing laws thus illustrate my hypothesis concerning progressivism. The forms adopted by the statutes were administrative agencies conducting their business as experts, preparing rules and regulations out of the public view. Existing property relations were maintained, and conflicting business interests could settle policy differences under the machinery provided. The laws were intended (even if they did not succeed) to make urban areas more fit places in which to live, and they were intended to make the lower classes more quiescent. It serves, then, to illustrate my hypothesis, but what it lacks as an issue are several important factors: (1) complexity, (2) a clash of competing business interests, and (3) great saliency as a policy issue. Happily, the Federal Reserve and the money question, generally, provide what tenement housing policy lacks. Indeed money, credit and banking constituted the single most important set of issues during the period from the end of the Civil War (and often before) through the remainder of the nineteenth century. It is this set of issues, then, to which I turn for the major illustration of the hypothesis I have advanced.

Progressivism and the Federal Reserve

Banking and the credit system has been, since the inception of the Republic, one of the most divisive political issues at both the national and state levels. The single most dramatic confrontation occurred over President Jackson's veto of the Second Bank of the United States. While ostensibly concerned with the question of whether there should be a national bank, recent research has shown that the struggle reflected an underlying division within the banking community. Notwithstanding the overblown rhetoric—symptomatic of intense public involvement—the underlying struggle was, in part, between Philadelphia and New York for financial supremacy as well as between other rival banking groups.[26] The theme of rivalry between different banking groups would continue at the national level. But even at the state level important divisions occurred. The credit system, in any event, functioned reasonably well without a central coordinating mechanism until the advent of the Civil War and the rise of the Republican Party, at which time our story begins. The costs of fighting the war coupled with the specie hoarding which was the inevitable consequence of the bad military situation led to a financial crisis and a suspension of specie payments by private banks. The crisis led to the enactment of the Legal Tender Act of 1862 authorizing the issue of government notes, termed greenbacks, not redeemable in specie. These were made legal tender for almost all private and public debts.[27] By the end of the war, almost half of the currency in circulation consisted of greenbacks. The next major statutes passed during the Civil War period were the Currency Act of 1863 and the National Bank Act of 1864. Patterned on the New York system of free banking, they allowed five or more people to form an association to carry on banking if they could raise designated amounts in capital stock which varied with the size of the community in which the bank would be located. The law also established reserve requirements against deposits, and the reserves could be kept in either their own vaults or in national banks in "redemption" cities. The banks were required to purchase Federal bonds up to one-third of their capital stock, and were permitted to issue national bank notes up to 90 percent of the value of the bonds. While membership in the system proceeded very slowly when on a voluntary basis, banks began to join quickly when a tax on state bank notes was raised to 10 percent, effective in 1866.[28]

Through these measures, the beginnings of a national banking system began to be restructured. The measures drew support from bankers and businessmen associated with the Republican Party, but it also drew considerable opposition from many state bankers, especially in New York.[29] But many banks, then and in succeeding years, without national or regional aspirations, did not join the national system. The advantages of remaining in state systems were: (1) lower standards of examination and regulation in most state systems, (2) restrictions on certain types of investments, especially real estate, in the national system, (3) lower capital requirements in most state systems, and (4) lower reserve requirements against deposits in state systems.[30] Moreover, an important new development had effectively taken the sting out of the national tax on notes, and that was the growth of demand deposits or checks. The check, a bill of exchange drawn on a bank and payable on demand, began to replace banknotes as the principal instruments of credit in the post-Civil War era. In part, the note tax was responsible for this but, in addition, since a check was payable on *demand,* one need not hold it until a specific date. Given the wide currency fluctuations of the entire pre-Civil War era, the advantages are obvious. Further, the development of banking regulation and the consequent greater stability of banks gave assurance to payees that they would, in fact, be paid by the drawee. Further convenience was added by the growth of clearinghouses which enabled the payee to conveniently deposit the check in his own bank. And from the perspective of banks, the check allowed them to make and pay loans by simply adjusting the depositor's account.

Nevertheless, these important changes in banking practices and the development of a dual national–state banking system were still a far cry from an integrated national credit, currency and banking system. From the standard perspective, the central battle which arose during the period from the end of the Civil War until the advent of the Federal Reserve in 1914 was hard money versus soft money. Supporters of soft money—the view that the amount of money in circulation relative to specie should be great—included industrialists, speculators and promoters who felt that only in this way could the nation's capital needs be met. Aligned against them were commercial bankers and Eastern merchants who held that expanded money supply would reduce interest rates and consequently reduce real income from loans.[31] It is unquestionably the case that bankers and other investors were the principal purchasers of government bonds during the Civil War and therefore sought to raise their values relative to gold. Consequently they had a strong incentive to contract the amount of paper money in circulation by retiring the greenbacks which had been issued during the war. And it is equally true that most of the new manufacturing class were anxious for readily available credit to finance their expanding ventures and consequently opposed contractionist policies. Moreover, the banker–manufacturer split was reflected within both major political parties, especially the dominant Republicans.[32] It is important to bear this division in mind to understand the origins of the Federal Reserve System. But there is much more.

Aside from the manufacturer–banker conflict as well as other class and intra-class divisions that will be mentioned in this discussion, one theme persists: how to provide access to credit for economic development and yet avoid the decline in value of credit instruments. This fundamental systemic contradiction coupled with the manufacturer–banker antagonism is a key to a persistent change in policy direction during the period from the Civil War until the turn of the century—the back-and-forth shift from currency contractionist policies to mildly expansionist ones. Both sides, while fighting bitterly, also attempted to compromise their differences as evidenced by the anti-contraction bill of 1868 and the Specie Resumption Act of 1875.[33] And the famous battle during the eighteen-nineties over the coinage of silver may also be seen as part of the back-and-forth attempt at compromise scenario, notwithstanding the bitterness of the 1896 Presidential election. But this style of policy-making did not work, for the periodic financial crises and depressions which broke out exacerbated the conflict and broke down the compromises.

To this already complex picture something new was added after the 1873 depression—the rise of a farmer movement advocating far more drastic remedies for the revamping of credit institutions than had previously been advocated. And this development, dangerous for the continuation of capitalism itself, cried out for a system of credit control superior to the improvised policy-making that we have described. Prior to 1873 farmers were doing relatively well economically and played little role in the credit battles.[34] The year 1873 dramatized the almost continuous decline of farm prices from about 1870 until 1896. If we start with an index of total farm prices of 100 in 1870, the comparable index numbers were 80 in 1880 and 69 in 1890. The major reason usually given for this phenomenon is rapidly increasing productivity and number of farms relative to demand for agricultural products.[35] Beginning first with the relatively innocuous Grange, then employing various third parties and the Farmers' Alliances, farmer groups together with the Knights of Labor formed the Peoples' Party in 1891 and nominated James Weaver for President in 1892. His 22 electoral votes in 1892 coupled with the party's considerable success in 1894 portended great danger for the conventional parties from the perspective of 1894.[36] What made the Populist movement so alarming, especially until its compromise agreement with the Democrats in 1896 to support soft money through the coinage of silver, was the sub-treasury plan which promised to radically alter America's credit system.

The essence of the sub-treasury system was that credit for the working farmer must come from the government itself *as a matter of right,* and not from the private banking sector. Moreover, credit thus made available should be offered at cost; that is, the government should obtain no profit from the repayments received, in contrast to the credit system which prevails under the system of lending by private institutions. The amount of credit which could be extended was based upon the past annual production of selected commodities pursuant to a complex formula, and not upon the amount of precious metals (gold and/or silver) held by the Treasury. Since the loans so issued were to be made *directly* by sub-treasuries located in a large number of counties within the United States (the specific counties were to be chosen on the basis of certain economic criteria), the traditional lending institutions—banks, etc.—would be effectively excluded from the vast agricultural credit market. Equally important, the precedent of public banking was a dangerous one. Thus, the sub-treasury plan, which, to re-emphasize, was the heart of the Populist program, was highly inflationary, threatened traditional credit institutions with virtual extinction, and transferred much credit policy decision-making from the hands of bankers to the people's representatives.[37]

Thus, from the perspective of bankers in the 1890's the issues were now far more complex and the dangers far greater than they had ever been. No longer was the issue simply one of "hard-money" versus "soft money"—although this remained—but the very existence of the capitalist credit system. Even though the People's Party in 1896 was willing to accept the "hard money" versus "soft money" issue as the major focus of the campaign because of their coalition with the Democrats, they only viewed the coinage of silver as but the first tentative step toward restructuring of the banking-credit system.[38] Notwithstanding their differences, then, bankers, merchants and industrialists had to seek a more satisfactory banking structure and remove these issues from public debate. Even though the Bryanite-Populist coalition was decisively beaten in 1896, the dangers of resurgence were manifest. But the ability to find a structure reasonably satisfactory to the various business interests would not be an easy one. The solution, when found, would be enacted within the framework of "reform," but would not embrace the far ranging credit changes called for by the Populist program. And the first thing to note about the Federal Reserve System which was ultimately enacted during the Wilson administration is what it did not enact—the Populist program. It left control over credit resources where they had been—in private hands—and did not so much change decision-making over credit decisions as add some government participation to the process.

Deciding what reforms not to institute is a far cry from deciding what should be. Nevertheless, as I indicated, the need was manifestly clear to bankers, industrialists and merchants. Bankers naturally took the lead in proposing reforms; as one of the leading Chicago bankers observed: "From the time I came to Chicago in 1892 the necessity of new banking and currency legislation was appreciated by most bankers."[39] A variety of plans originated within the banking community including the Baltimore Plan of

1894 and the Indianapolis Monetary Convention Plan of 1897 under whose auspices an important report was published during the following year. In essence, both plans contained measures for flexible currency expansion within the framework of tight monetary controls. Both plans were patterned, in part, on the highly stable Canadian banking system. But this was largely responsible for their failure to generate near universal support, even within the banking community. For the Canadian banking system was a highly concentrated one, and the fear of bankers outside New York was of a Wall Street-dominated banking system. Within the banking sector, conflicts existed between large and small banks, city and country banks, different kinds of banks and banks in different sections of the country. But behind all of these conflicts lay the overwhelming one of Wall Street dominance which translated into widespread distrust of a central bank with strong powers which would inevitably have been dominated by the powerful New York bankers.[40] The ultimate structure of the Federal Reserve System, which established a system of regional banks under a central authority and not a national bank, would reflect these divisions and the fear among non-New York bankers of Wall Street dominance.

The enactment in 1900 of the Gold Standard Act, which placed the country on the gold standard in accordance with prevailing international practice, virtually ended discussion about the currency and framed the public issue in terms more acceptable to bankers: how best to reform the banking system so as to make it work more effectively. Given the general division within the dominant classes and the nation's overall prosperity during the next several years, no action resulted. But the Panic of 1907 changed this situation, revealing glaring defects in the credit system. Like the previous financial panics of 1873, 1884, and 1890, the 1907 panic arose from a variety of specific causes, but the underlying problems were the relative inelasticity of the credit system and the inability to move funds sufficiently quickly to where they were needed.[41] Inelasticity refers to the absence of effective interconvertibility between currency and deposits; thus, a widespread attempt by the public to change their deposits into currency would lead banks to reduce outstanding liabilities in accordance with a reserve formula. To take simple arbitrary figures, if a bank's reserve requirements were ten percent and it had loaned $100, ten dollars would have to be kept in reserve. If depositors demanded $5 in currency, the bank, in keeping with its reserve requirements, would have to reduce its liabilities to $50 by calling loans. Institutions subject to such called loans would, of course, be subject to financial pressures, and in an unintegrated system of 20,000 banks "the impact was bound to be uneven to force some banks into suspension, and to threaten a chain reaction involving a cumulative increase in the desire on the part of the public to convert deposits into currency."[42] In this sense, the credit system was inelastic, and panic could not be avoided because no effective mechanism existed to move funds to where they were needed.

The specific causes of the 1907 Panic were varied and included the business downturn of early 1907 and the enormous losses suffered by insurance companies because of the April 1906 San Francisco fire. The fall of any year was the most dangerous since country banks withdrew their deposits from New York banks in order to move crops. Given the danger, then, any added pressure on the system could cause panic.[43] In any event, the failures of the second and third largest New York trust companies in October were part of and further enhanced the panic. Emergency action by the Secretary of the Treasury depositing $36 million in New York banks and by a group of financiers led by J. P. Morgan, coupled with the restrictions New York banks placed on the withdrawal of deposits, temporarily saved the day. But it was obvious to all that a permanent solution had to be found soon.[44] In the following year the Aldrich-Vreeland Act created an emergency currency but, most importantly, provided for the establishment of a National Monetary Commission to study the credit system and recommend permanent legislation. Two points should be made about this legislation. First, even though it was recognized as a stopgap measure, the battle over what securities should back up the emergency currency reflected splits within the banking community, portending the divisions which would occur over the more important Federal Reserve legislation.[45] Second, the law authorized national banks in cities and districts to form "currency associations" empowered to issue notes secured by commercial paper. This feature portended the predisposition of banks themselves to act cooperatively in conjunction with government to solve the credit problem. But the precise relationship of the cooperating banks and government was again to be a divisive issue in the creation of the Federal Reserve.

The National Monetary Commission, consisting of nine senators and nine representatives, issued 42 reports covering virtually every phase of banking, culminating in a final report in March 1912. The legislative proposals, known as the Aldrich Plan, initially received widespread support among bankers and businessmen although divisions appeared early over many of its specifics. It would have created a National Reserve Association; the chief office was to have been in Washington, with branches in the major financial centers. The most important organizational aspect of the bill was to place policy-making control of the National Reserve Association largely in the hands of bankers, and to allow the Board of the Association, rather than the President, to remove the Association head. The latter provision was especially important to assure the enthusiastic endorsement of the American Bankers Association.[46] In any event, the Aldrich Bill was introduced in 1912 and never came up for a vote in either house of Congress. The strong likelihood of a Democratic victory in 1912 and the close identification of the Aldrich Bill with the Republican Party sealed its fate.

The legislative aspects of the Federal Reserve Act which ultimately passed Congress are complex, but certain points relevant to the foregoing discussion should be made before summarizing the fundamentals of the statute. During the 1912 election campaign Woodrow Wilson avoided any advocacy of a specific piece of legislation which would replace the Aldrich Bill. And as Robert West's careful comparative analysis of the Aldrich Plan and the initial Democratic proposal—the Glass Bill—shows, the two bills were very similar.[47] Therefore, any emphasis on political party as the principal determinant of the *final* differences between the Federal Reserve Act and the Aldrich Bill are misplaced. Rather, the substantial differences between the Federal Reserve Act and the Aldrich Bill are attributable to the activities of different business groups. Carter Glass (a leading Southern Progressive) perceived his function as accommodating the various banking interests as well as the remainder of the business community—industrialists and merchants—who sought to escape the vise of banker control of the credit system.[48] Thus, there was widespread support among all of these elements for an elastic credit system, concentration of available reserves for use where needed and other technical aspects of banking within a framework in which the government did not act as a lender in competition with private banks but rather as a supporter of the extant banking structure. And, notwithstanding all of the rhetoric inveighed against "Wall Street," most of this broad coalition did not seek to de-concentrate or alter a banking structure in which balance sheet values were disproportionately centered in the largest New York banks. Because the private banking structure was left intact, a few radicals such as Senator Robert LaFollette strenuously denounced the Federal Reserve Act.[49] (Bryan, of course, did not.) Yet the business interests had learned their lesson, and the battle over the ultimate shape of the Federal Reserve Act was fought within the discourse of reform and the language of denunciation.

The major issues were organizational and centered on such questions as the composition of the Federal Reserve Board, its relationship and powers vis-à-vis the regional banks, the number of regional banks and their powers, and the composition of the regional banks. But in view of what we noted in the last paragraph, objections by various business groups to different proposals were not very sharp. More accurately, each group might prefer an alternative solution to a particular question, but each could readily live with whatever proposal was adopted. The major New York bankers sought a bill which would create a central bank whose policy-making board would be appointed by bankers themselves, relatively free of "political intervention."[50] When it became clear that bankers would not choose the membership of the central board, merchants and industrialists largely endorsed the Federal Reserve (Glass-Owens) Bill. The U.S. Chamber of Commerce, representative of manufacturers and traders, overwhelmingly supported the Bill by a margin of 306–17.[51] For reasons we have already outlined, industrialists and merchants could not support a completely banker-dominated system of credit management and therefore looked for government appointment to the Board as the major alternative. Similarly, the fear of Wall Street domination by non-New York bankers assured that the Act did not create a central bank, but rather a system consisting of a number of regional member banks, each capable of issuing notes. The Federal Reserve Board was not itself a bank, but rather an institution which made certain kinds of regulations covering the conduct of member reserve banks. And the number of reserve banks was to be between eight and twelve—the latter number was ultimately agreed to. It was felt by the non-New York banks that too few banks would necessarily lead to Wall Street domination, while too many would prevent coordination of the system. The stock of the Reserve banks was to be owned by member banks, and not by the public or government—an important concession to the banking community.[52]

The directorships of each member bank equally illustrate the compromise between different business groups inherent in the Act. Each Reserve Bank was to consist of nine directors: three appointed by the Federal Reserve Board and six elected by member banks of the District, *but* of the six locally selected directors, only three might be bankers and three were to represent business, industry and agriculture in the district. One can see the uneasy compromise intended. The loci of power within the system were to be the district Reserve Banks with no one of them predominating. And while non-banking business interests were admitted to the directorships of these banks, their representatives had to be approved by the bankers within the district. Although not every business group was as happy as it might have been, the compromise solution in the form of the Federal Reserve Act satisfied virtually all. Banks joined the system in great number, and even persons like Benjamin Strong, who sought a strong central bank, worked heartily for it after the statute was signed into law. Among notable comments were those of Wall Street banker Paul Warburg: "There cannot be any doubt that the enactment of this legislation will inaugurate a new era. . . . While it is to be regretted that some important suggestions . . . could not be adopted, the fundamental thoughts, for the victory of which some of us have worked for so many years, have won out. That is to say, from now on we shall witness the gradual elimination of the bond secured currency, of scattered reserves, of immobilized commercial paper. . . ."[53]

And the changes were substantial—although it must be remembered that their intended functions then were not to stabilize the economy, but rather to solve problems of the credit system. First, all national banks were required to be members of the Federal Reserve Bank within their respective districts, and state banks were permitted to join upon complying with certain requirements. Membership was obtained by purchasing shares of the district Federal Reserve Bank's capital stock up to six percent of the member banks' capital and surplus. State banks were, in part, induced to join; and national banks were to remain within the system by the liberalization of certain requirements. Reserve requirements, which prior to the statute had been respectively 25, 25 and 15 percent for reserve city, city and country banks dropped to 18, 15 and 12 percent for these categories. In addition, the prohibition of loans on real estate was modified; and national banks, for the first time, were permitted to engage in certain fiduciary activities.

The major incentive for joining was not the increased liberality in the above requirements, but the added credit protection afforded by the new system. All of the legal reserve of member banks had to be deposited in the district Federal Reserve banks, except (until a 1917 amendment) cash on hand to meet withdrawals and deposits maintained in other Federal Reserve banks. The Federal Reserve banks were, in turn, required to maintain a reserve of 35 percent of their deposits which could be reduced by the Board in case of an emergency. Provisions were also made for the ready transfer of funds from one district to another which might be experiencing pressure upon its reserves. The major new credit instrument developed by the Act was the Federal Reserve Note—which was secured by gold and certain kinds of negotiable instruments arising from industrial, commercial or agricultural transactions—in place of the notes which were solely secured by gold and government bonds under the prior law applicable to national banks. Thus, in place of the inflexible amount of notes which could be issued by national banks under the old law, the Federal Reserve Note, based on the volume of business transactions, was highly flexible, increasing during periods of prosperity and decreasing during periods of recession. Short term panics were to be averted by granting each Federal Reserve Bank the power to advance reserves to member banks. Finally, the Act set up an extensive system for clearing and collecting checks, more economical than any that had existed before. Because of these extensive benefits national banks and state banks joined the new system in droves.

The Federal Reserve Act did considerably more than what we have just outlined. The 1913 Act was, in addition, just a beginning; for, once set up, new mechanisms were employed, the Act was amended in significant ways, and numerous regulations were issued under it. But when President Wilson signed the Federal Reserve Act in December 1913, the fundamental administrative structure of American credit institutions had become established. Credit had become centralized, albeit within a decentralized system. The system deflected critical public attention from bankers—as for example during the Panic of 1907 when all eyes were focused on J. P. Morgan—to a public administrative system presumably regulated by government experts in the "public interest." But behind this "impartial" agency and its decisions, a fundamental proposition in favor of maintaining an existing structure of private credit institutions was canonized; the populist remedies and other such alternatives to the system of private banker decision-making were wiped off the agenda under the guise of a public agency. The public agency depended upon business cooperation for its effectiveness, and moreover provided a forum—indeed, a quiet forum—in which the various business interests we have mentioned could vie with each other out of the public light. The government through the system was an umpire because competing business interests could not trust each other, but its umpiring took place in a context in which the business class was to be favored over others in making credit decisions. And middle–class reformers could delight in the promise that financial panics and the misery they caused were a thing of the past. In brief, the Federal Reserve Act illustrates the hypothesis on progressivism I suggested earlier.

Conclusion

The examples of progressivism that I have discussed as well as others about which the reader is probably informed were shaped in no small part by the threat of public participation in policy decisions and the danger of restructuring property relations symbolized by the spectre of populism. The progressive response was the creation of new administrative agencies and technical rules designed to prevent any radical restructuring of society by removing areas from the realm of politics to the realm of problem solving by experts. While in one sense this constituted a triumph of conservatism, the new agencies undertook great changes and were themselves frequently altered in the course of the succeeding years. But the role players in these changes constituted and still constitute a cartel of leading interests which have effectively agreed to disagree among themselves outside the scrutiny of the public.

The legacy of progressivism has been that more and more activities once considered political have fallen into the hands of administrators and experts. Of course, the interests represented among the experts have expanded from the businessmen and middle class reformers characteristic of the Progressive Era. Militarists, environmentalists, feminists, etc. are imposing their values upon the rest of society. And in some ways administrators have become sorcerers' apprentices, developing interests aside from those of the groups which helped establish them—the FTC, for example. The courts, too, have become experts and administrators in such matters as civil rights and education. Thus, school busing to achieve the goals of integration is mandated notwithstanding the overwhelming poll opposition of black and white parents. But, at last, popular resentment at the work—or more accurately failures—of administrators has become a virtual groundswell. Our society has changed dramatically since the eighteen-nineties, but the spectre of populism may not be dead.

NOTES

1. See, for example, George E. Mowry, *The Era of Theodore Roosevelt and the Birth of Modern America* (New York: Harper & Brothers, 1958), pp. 87–90.
2. Benjamin Parke DeWitt, *The Progressive Movement* (Seattle: University of Washington Press, 1968), p. 5. (Originally published 1915.)
3. Robert H. Wiebe, *Businessmen and Reform* (Chicago: Quadrangle, 1968), pp. 212–217. (Originally published 1962.)
4. Gabriel Kolko, *The Triumph of Conservatism* (New York: Free Press, 1963), pp. 3, 59.
5. Alan Stone, *Economic Regulation and the Public Interest* (Ithaca, N.Y.: Cornell University Press, 1977), see the summary on pp. 17–18.
6. See, for example, *United States v. Whiting,* 212 F. 466 (D.C. Mass 1914). More generally see Joseph E. Davies, *Trust Laws and Unfair Competition* (Washington: Government Printing Office, 1916), ch. 3.
7. For example, *American Column & Lumber Co. v. United States,* 257 U.S. 377 (1921).
8. Robert H. Wiebe, *The Search for Order* (New York: Hill and Wang, 1967).
9. C. Vann Woodward, *The Strange Career of Jim Crow* (New York: Oxford University Press, 1955), p. 75.
10. Of the many studies of these events, I recommend especially Chester M. Destler, *American Radicalism 1865–1901* (Chicago: Quadrangle, 1966), Chs. 8 and 9. (Originally published 1946.)
11. Mowry, *Era of Theodore Roosevelt,* p. 89.
12. On Croly's later views see the summary in Charles Forcey, *The Crossroads of Liberalism* (New York: Oxford University Press, 1961), pp. 155–160.
13. On the development of scientific management see Alfred D. Chandler, Jr., *The Visible Hand* (Cambridge: Harvard University Press, 1977).
14. *Ibid.,* p. 175.
15. Quoted in Leonard D. White, *The Republican Era* (New York: Free Press, 1958), p. 297.
16. Samuel P. Hays, "The Politics of Reform in Municipal Government in the Progressive Era," *Pacific Northwest Quarterly,* 55 (October 1964):160.
17. Woodward, *Strange Career,* pp. 61–63.
18. C. Vann Woodward, *Origins of the New South, 1877–1913* (Baton Rouge: Louisiana State University Press, 1951), p. 336. See Chapter 12, generally.
19. Woodward, *Strange Career,* p. 75.
20. Gabriel Kolko, *Railroads and Regulation* (Princeton: Princeton University Press, 1965), pp. 88–101.
21. Stuart D. Brandes, *American Welfare Capitalism* (Chicago: University of Chicago Press, 1976).
22. Roy Lubove, *The Progressives and the Slums* (Pittsburgh: University of Pittsburgh Press, 1962), pp. 23, 25–27, 133–134.
23. *Ibid.,* pp. 10, 11. See also pp. 5, 6, 43, 82, 131 and 135.
24. Robert H. Bremner, *From the Depths* (New York: New York University Press, 1956), p. 212.
25. See Judah Gribetz and Frank P. Grid, "Housing Code Enforcement: Sanctions and Remedies," *Columbia Law Review* 66 (Nov. 1966):1254–1266; and Note, "Enforcement of Municipal Housing Codes," *Harvard Law Review* 78 (Feb. 1965):859.
26. Bray Hammond, *Banks and Politics in America* (Princeton: Princeton University Press, 1957), chs. 12–14.

27. See Bray Hammond, "The North's Empty Purse, 1861–1862," *American Historical Review* (Oct. 1961):1–18.
28. Hammond, *Banks and Politics,* ch. 22.
29. Fritz Redlich, *The Molding of American Banking,* vol. 2 (New York: Johnson Reprint Co., 1968), pp. 102–113.
30. Ross Robertson, *History of the American Economy,* 3d ed. (New York: Harcourt, Brace, Jovanovich, 1973), pp. 407–409.
31. See Irwin Unger, *The Greenback Era* (Princeton: Princeton University Press, 1964), pp. 59, 162.
32. See the brilliantly developed Robert P. Sharkey, *Money, Class and Party* (Baltimore: Johns Hopkins Press, 1959), pp. 65, 69, 71, 101, 131, 132, 156–158; and Walter T.K. Nugent, *The Money Question During Reconstruction* (New York: W. W. Norton, 1967), p. 61.
33. Sharkey, *Money, Class and Party,* p. 117; and Nugent, *Money Question,* p. 94.
34. Sharkey, *Money, Class and Party,* p. 104.
35. Robertson, *History,* pp. 306, 307 and Fred A. Shannon, *The Farmer's Last Frontier, 1860–1897* (New York: Holt, Rinehart & Winston, 1945).
36. Of the enormous literature on populism, the masterpiece is Lawrence Goodwyn, *Democratic Promise* (New York: Oxford University Press, 1976).
37. Summary taken from Goodwyn, *Democratic Promise,* Appendices A and B.
38. Norman Pollack, *The Populist Response to Industrial America* (New York: W. W. Norton, 1966), ch. 6.
39. Quoted in Kolko, *Triumph of Conservatism,* p. 146.
40. Redlich, *Molding,* 2: 210, 217; and Robert C. West, *Banking Reform and the Federal Reserve, 1863–1923* (Ithaca, N.Y.: Cornell University Press, 1977), pp. 42–49. On the sensitivity to sectional differences, see *Report of the Monetary Commission of the Indianapolis Convention* (Chicago: University of Chicago Press, 1898), p. 3.
41. On these crises see O. M. W. Sprague, *History of Crises Under the National Banking System* (Washington, D.C.: Government Printing Office, 1910).
42. Milton Friedman and Anna Jacobson Schwartz, *A Monetary History of the United States, 1867–1960* (Princeton: Princeton University Press, 1963), pp. 168, 169.
43. Although this view has been subsequently disputed, it was widely held at the time. See C. A. E. Goodhart, *The New York Money Market and the Finance of Trade, 1900–1913* (Cambridge: Harvard University Press, 1969), pp. 4–5.
44. Details of the Panic of 1907 are provided in Elgin Groseclose, *Fifty Years of Managed Money* (New York: Books Inc., 1966), pp. 15–37.
45. Wiebe, *Businessman and Reform,* pp. 72–75.
46. Kolko, *Triumph of Conservatism,* pp. 187–189 and West, *Banking Reform,* p. 108.
47. West, *Banking Reform,* pp. 106–112.
48. Kolko, *Triumph of Conservatism,* p. 227; and Martin J. Sklar, "Woodrow Wilson and the Political Economy of Modern United States Liberalism" in *For a New America,* ed. James Weinstein and David W. Eakins (New York: Random House Vintage, 1970), pp. 85, 86.
49. Belle C. LaFollette and Fola LaFollette, *Robert M. LaFollette,* vol. 1 (New York: Macmillan, 1953), 486, 487. On banking concentration in New York see Goodhart, *New York Money Market,* pp. 9–12.
50. See, for example, Henry Parker Willis, *The Federal Reserve System: Legislation, Organization and Operation* (New York: Ronald Press, 1923), p. 389; and Lester Chandler, *Benjamin Strong, Central Banker* (Washington, D.C.: The Brookings Institution, 1958), p. 37. Notably, after weakly opposing the Act, Strong became one of the Federal Reserve System's leading figures.
51. Arthur Link, *Woodrow Wilson and the Progressive Era* (New York: Harper & Bros., 1954), p. 51; and Paul M. Warburg, *The Federal Reserve System: Its Origin and Growth* (New York: Macmillan, 1930), p. 133 and Appendix 19.
52. The legislative history is summarized from West, *Banking Reform,* ch. 6 and Warburg, *Federal Reserve, passim.* The underlying conflicts within the business community are taken from Warburg, *Federal Reserve System;* Wiebe, *Businessmen and Reform,* pp. 128–137; and Kolko, *Triumph of Conservatism,* ch. 9.
53. Quoted in Groseclose, *Fifty Years,* p. 85.