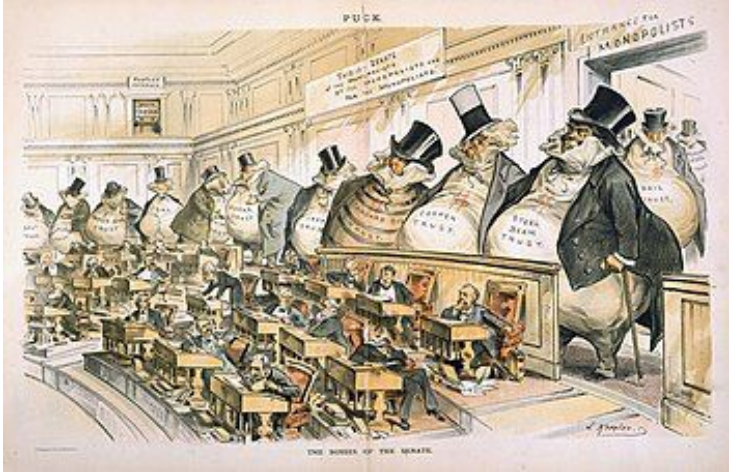
I. Key terms

1. **Trust:** A large business combination formed by merging several smaller companies under the control of a single governing board. By 1901, giant trusts dominated the American economy. Progressives complained that trusts restrained trade, fixed prices, and posed a threat to free markets.
2. **Monopoly:** A market structure where there is a single seller who faces no competition and because of this can set the price for the good.
3. **Horizontal integration**: The combining of many firms engaged in the same type of business into one large corporation,
4. **Vertical integration**: A single company owns and controls the entire process from raw materials to the manufacture and sale of the finished product.
5. **Law of competition:** Industrial titans used this to justify their wealth and praise the free market system. Wealth is a reward for hard work and talent while poverty is a punishment for laziness. Governments should, thus, resist temptations to regulate economic activity since disparities in wealth are inevitable.
6. **Muckraker**: A progressive-minded investigative journalist that called attention to problems at the time such as poor working conditions, poor living conditions, and unethical business practices.

II. Background: The Gilded Age

The Gilded Age refers to the period in U.S. history following the Civil War and Reconstruction from the 1860s to 1896. The term was coined by Mark Twain and refers to gilding cheap metal with a thin layer of gold, fitting for a period often characterized for

excessive wealth, unethical practices, and corruption. This was a period of rapid economic growth that transformed the United States from a society of small regional communities based on agriculture into a leading industrial nation. The Gilded Age saw a rapid increase in technology with the widespread use of the telephone, refrigerator, car, lightbulb, typewriter, electric motor, and advances in steel production which provided the base for modern consumerism and industrial productivity. Furthermore, there is an important social shift in which most people went from working for themselves to working for an employer, a managerial revolution that left a few powerful individuals at the top.



From the 1870s to the 1880s, the U.S. economy rose at its fastest rate in history and by the beginning of the 20th century the US had the highest per capita GDP in the world. This expansion brought industrial towns to the Northeast where hiring was diverse, often from immigrant European populations. Rich industrialist and corporation owners such as John D. Rockefeller of Standard Oil, Andrew Carnegie of Carnegie Steel, J.P. Morgan a powerful banker, and others were labeled as “robber barons” by growing rich due to their monopolies in different industries. There were few federal laws to regulate business conduct and protect competitive industries. Still, they built the core of American industrial economy and donated to the nonprofit sector in acts of philanthropy endowing hospitals, colleges, museums, schools, libraries, and charities. This upper class espoused laissez-faire capitalism, encouraged social stratification, and practiced ruthless competition.

The political system at the time was dominated by the Republican Party who supported business and industry with hard money policies and tariffs and the Democratic Party who

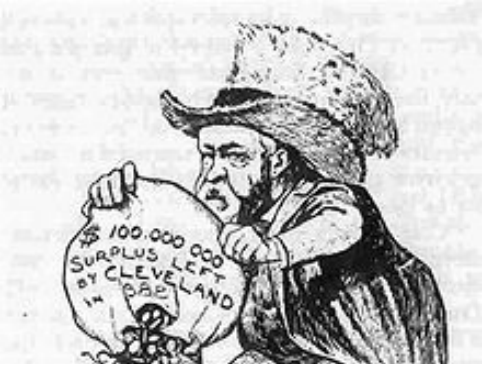
opposed tariffs and adopted a free silver platform. Both major parties were riddled with corruption, and the Populist Party emerged in the 1890s to champion farmer's interests and endorsed the coinage of silver. This period was marked by a significant lack in true political leadership. The government was mainly pro-business at the time, and the wealth of the elite paved the way for rampant corruption in city, state, and national governments. The spoils system and patronage reached new heights, and political machines played an important role in increasing voter turnout to around 90% and increasing partisanship. Because of this, the true leaders at the time were the business magnates and the government did not play a central role in the regulation of business.

The Gilded Age ended with the Great Panic of 1893, a deep recession that lasted until 1897. It was caused by the collapse of the Reading Railroad Company, of which hundreds of banks were dependent on. This led the stock market to plummet and led European investors to pull their shares from the US. Thousands of small businesses were ruined and 4 million left unemployed. Coupled with the lack of social welfare programs that left the common people at the mercy of large corporations, the Pullman Strike and other marches ushered in the Progressive Era.

III. The "Billion dollar" Congress

The 51st Congress of the United States, referred to as "the **Billion-Dollar Congress**" for its lavish spendings, exemplifies the role of the government in protecting big corporations at the expense of the American people. Among the Congress's agenda, it gave pensions to Civil War veterans, increased government purchases on silver, and passed the controversial **McKinley Tariff Act of 1890**. This act significantly raised tariffs and financially hurt farmers. Farmers were forced to buy expensive products from American manufacturers while selling their own products into the highly competitive world markets.

Thus, this tariff was a double-edged sword: top corporations enjoyed the protection it gave, but farmers



struggled with the higher prices for manufactured goods. Besides causing the Republican party to lose their congressional majority in congress in the 1890 elections, The McKinley Tariff Act aroused mass public discontent and resentment towards the government and mass corporations. This resentment and lack of public support undeniably catalyzed a desire for the federal government to become actively involved in growing social issues and to intervene in favor of the American people rather than big corporations.

IV. The Progressive Movement

The Progressive Movement was a widespread period of political reform and social activism in the United States following rapid industrialization that wanted to solve problems relating to political corruption, urbanization, and immigration. Main targets of political corruption were political machines and their leaders. Progressive also sought the regulation of monopolies, or "trust-busting", through antitrust laws. These laws were seen as a way to promote equal competition to advance legitimate competitors. The movement drew support from a middle class of teachers, lawyers, ministers, and business people who supported scientific methods applied to everything from economics to family. This modern rationalization meant that what was old was considered inefficient and reform was needed to find the "one best system". Progressive believed that the Constitution was a set of loose guidelines and that the federal government should have an increased scope to protect against things like trusts and unfair business practices. They encouraged a positive government that should intervene in affairs, and saw a limited government as something that would restrict the spread of democracy to those less fortunate.

Reform started at the state level, where young and idealistic leaders revolutionized the practice of politics by effecting institutional changes such as the direct election of state senators, referendums, recalls, and initiatives that helped revitalize democracy. They also achieved regulation of public utilities, railroads, child labor, and accident insurance systems. Progressives championed reforming municipal governments to better administer rapidly growing cities. This

resulted in the city-manager system, where an engineer ran the day to day affairs of the city government and had oversight from the city council. Many cities also created reference bureaus that conducted surveys looking for inefficiencies in the workings of the government. This reduced the number of government officials and led to an increase in power for city councils. Scholars also believed that education was the foundation of a well-run democracy. This encouraged child labor laws that prohibited children from entering the workforce until a certain age to encourage schooling.

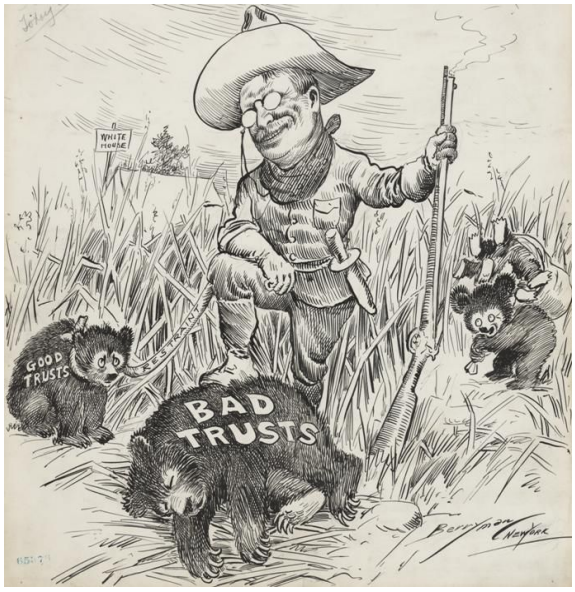
Progressives believed that by breaking up large trusts, people would be liberated from industrial capitalism. Still, progressives were divided on how to achieve this. Pro-labor progressives believed that industrial monopolies were unnatural that suppressed the competition necessary for progress and improvement. They supported antitrust laws that would break down all monopolies. Other progressives argued that large business and even monopolies were inevitable and that the government had no role in economic intervention. These corporations were desirable because they brought many resources and economy of scale, advantages which smaller businesses could not bring. It was their belief that the federal government should monitor these trusts for the public interest to ensure they weren't abusing their power.

V. The Sherman Antitrust Act (1890)

The Sherman Antitrust Act is the first measure enacted in the history of the United States Congress to outlaw monopolistic practices. Based on the constitutional power of Congress to regulate interstate commerce, the act allowed the federal government to institute proceedings against trusts in order to dissolve them. The Sherman Act was designed to restore competition but was loosely worded and failed to define such critical terms as "trust," "combination," "conspiracy," and "monopoly." Five years later, the Supreme Court dismantled the Sherman Act in *United States v. E. C. Knight Company* (1895). The Court ruled that the American Sugar Refining Company, one of the other defendants in the case, had not violated the law even though the company controlled about 98 percent of all sugar refining in the United States. Thus, the law

was more frequently used to vigorously curb labor unions than to break up trusts. The Sherman Antitrust Act was largely considered a dormant piece of legislation and the final attempt of the government to regulate trusts until Theodore Roosevelt's presidency.

VI. Theodore Roosevelt's presidency



Amidst the rising tide of a differing public opinion, President McKinley was shot during his second term and Theodore Roosevelt became the youngest man to assume the presidency in 1901. Having previously been governor of New York he had an intimate knowledge of problems affecting urban areas. By using tactics such as the "bully pulpit" he turned the presidency into one of great executive power. Inspired by the Progressive emphasis on social justice, Roosevelt focused his presidency around the three C's: Control of corporations, consumer protection, and conservation of natural resources.

Focusing on the first C, TDR quickly acquired the nickname "Trust-Buster" for his emphasis on employing the previously disregarded Sherman Antitrust Act. It is pertinent to emphasize his distinction of "good trusts" from "bad trusts." If a trust controlled an entire industry by fair means and provided good service at reasonable rates, it was a "good" trust to be left alone. TDR focused on "bad" trusts which eliminated competition and hurt consumers with high prices in order to maximize wealth. He cracked down on bad trusts by dissolving them and had no wish to take down the "good trusts," but rather that they regard the destroyed trusts as symbols and being their own reforms.

Another key element of TDR's "trust-busting" is his Square Deal. Historians have applied the term to the legislation and acts connected with his sense of fair play and

egalitarianism. Contrary to past presidents, Roosevelt mediated an end to labor disputes by treating both bosses and workers equally. The Northern Securities case, the Elkins and Hepburn Acts, the creation of the Bureau of Corporations, and his administration's other actions connected with trust busting, exemplify Roosevelt's desire to equalize the power imbalance between corporations and common people. The Meat Inspection Act and the Pure Food and Drug Act are well-known examples of Roosevelt's belief that corporations should not profit at the expense of the public's well-being.

VII. Timeline

Event	Description
Homestead Act (1862)	Accelerated settlement of US western territories by allowing any American to put in a claim for up to 160 acres of federal land, allowing any man or woman a "fair chance".
First Transcontinental Railroad (1869)	Linked the United States from East to West and opened up the West for rapid development. Fostered competition between the Union Pacific and Central Pacific Railroad Companies.
Pendleton Act (1883)	Provided that federal jobs be granted on the basis of merit and through competitive exams and Made it illegal to fire and demote government officials for political reasons.
Congress establishes the Bureau of Labor (1884)	Established under the Department of Interior to implement and enforce laws and regulations relating to workplace safety, unemployment benefits, and wage laws.
Sherman Antitrust Act (1890)	First legislation enacted by Congress that addressed oppressive business practices from cartels and monopolies. Prohibited any contract, trust, or conspiracy in restraint of interstate trade.
How the Other Half Lives by Jacob Riis (1890)	Exposed the squalid conditions in New York slums and gave momentum to sanitary reform in cities.

Sierra Club is founded (1892)	Environmental organization founded with the purpose of conserving nature and wildlife against industrial exploitation of resources.
Homestead Strike (1892)	Pitted Carnegie Steel Company against Amalgamated Association of Iron and Steel Workers that resulted in a violent labour dispute and strike. Culminated in a gun battle that left many killed and resulted in the defeat of union workers.
Pullman Strike (1894)	When the Pullman railroad company cut wages and laid off workers, the American Railway Union led a strike that greatly disrupted transportation and led to violent clashes that convinced many American that labour conflicts had reached a crisis point.
U.S. v E.C. Knight and Co (1895)	Determined that the Sherman Antitrust Act was constitutional, but did not apply to manufacturing. Made the legislation largely dormant and permitted monopolies to continue to exist.
First Anthracite Coal Strike (1890)	Union wanted recognition and some control over the industry while the industry opposed a federal role; did not result in victory for the strikers.
President Mckinley is shot (September 14, 1901)	President Mckinley was shot at at a Pan American Exposition in Buffalo, New York and as a result died 8 days later.
Theodore Roosevelt becomes the 26th president	Theodore Roosevelt was sworn in on September 14, 1901 on the day of President William Mckinley's death.
Danbury Hatters' Case (1902)	In 1902 the United Hatters of North America called for a nationwide boycott of DE Lowe's products. This U.S. Supreme court case ruled against the union and decreed that antitrust laws also apply to labor unions.
Northern Security Antitrust (1902)	President Theodore Roosevelt instructed his Justice Department to break up this holding company on the grounds that it was an illegal combination acting in restraint of trade. Using the **Sherman Antitrust Act**, the federal

	government did so and the Northern Securities Company sued to appeal the ruling.

VIII. Summary of most important monopolies

Corporation	**Description**
Standard Oil	Owned by John D. Rockefeller. Due to its monopoly over the oil industry, the company was declared illegal by the Supreme Court of Ohio in 1892 and dissolved in 1899. By the time of the committee, it is reorganized as a holding company “the Standard Oil Company of New Jersey”
U.S. Steel	Formed by J.P Morgan in 1901 by financing the merger of Andrew Carnegie's Carnegie Steel Company with Elbert H. Gary's Federal Steel Company and William Henry "Judge" Moore's National Steel Company for $492 million dollars.
Carnegie Steel	Owned by Andrew Carnegie. Carnegie employs vertical integration and by 1901, he owns the largest steel company in America. The company is later purchased by J.P Morgan.
Northern Securities Company	The Northern Securities Company is an American railroad trust formed in 1901 by E. H. Harriman, James J. Hill, J.P. Morgan and their associates. The company controlled the Northern Pacific Railway; Great Northern Railway; Chicago, Burlington and Quincy Railroad; and other associated lines.

IX. Guide questions

1. According to your delegation’s position, to what extent should the government intervene in the American economy? Does intervention against monopolies threaten the free market? Explain.
2. What does your delegation believe should be the role of competition in the economy? Are monopolies a threat to competition? What are the ethical lines that shouldn’t be crossed to become more competitive, if any? How do you propose to forward this?

3. According to your interpretation of a free market, is there such thing as a "good trust" and a "bad trust"? Should they be targeted or protected by the federal government? If so, how?
4. What should the role of labor unions be? Should they also be subject to antitrust legislation?
5. What viable legislation and political strategy does your delegation propose to forward the committee according to your policy? How will this be accomplished?

X. **Message from the Dais**

Hello delegates! Thank you for your interest in this multifaceted and riveting committee. We hope this guide will provide a broader exposition on the various aspects of the American economy during the Progressive era. We greatly encourage you to perform your own thorough research and present new aspects, topics, and perspectives we may have not discussed. Use the questions as a guide for the drafting of your position papers, yet do not hesitate on going beyond the established parameters. This is a historical committee, and as such the starting date is set as **May 12, 1902. Though we included events after this date in the briefing and the timeline, these are only to serve as references and should not be mentioned in committee**. We will be very vigilant of policies and are excited to see how each delegation's different political agendas and interpretations of the role of corporations in the free market are showcased through the solutions proposed.

Position papers are due **Tuesday, November 12, 2019 at 11:59pm** and must be sent to the **committee email.** The document should be **a minimum of 2 and a maximum of 3 pages** long (Pictures and references may be included on a separate page disregarding the established limit), have 1.5 spacing, Times New Roman, size 12 font, and **normal one inch margins**. As well, they must be sent as a PDF or Word Document; Google Docs will **NOT** be accepted. Pictures and graphs should not coincide with your writing. Please be very mindful of the guidelines and the due date, since late points and format points will be deducted regardless of

content. If you have any questions at all, **please feel free to email us**. We are extremely excited for committee and cannot wait to hear your version of history!

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