

SECTION 16

WOODROW WILSON:  
AN IDEALIST PRESIDENT  
1913-1921

“It is not men that interest or disturb me primarily; it is ideas. Ideas live; men die.

—Woodrow Wilson

“Three qualities of greatness stand out in Woodrow Wilson.

He was a man of staunch morals. He was more than just an idealist;  
he was the personification of the heritage of idealism of the American people.

He brought spiritual concepts to the peace table.

He was a born crusader.”

—Herbert Hoover

“For Heaven’s sake never allude to Wilson as an idealist...He hasn’t a touch of idealism in him.

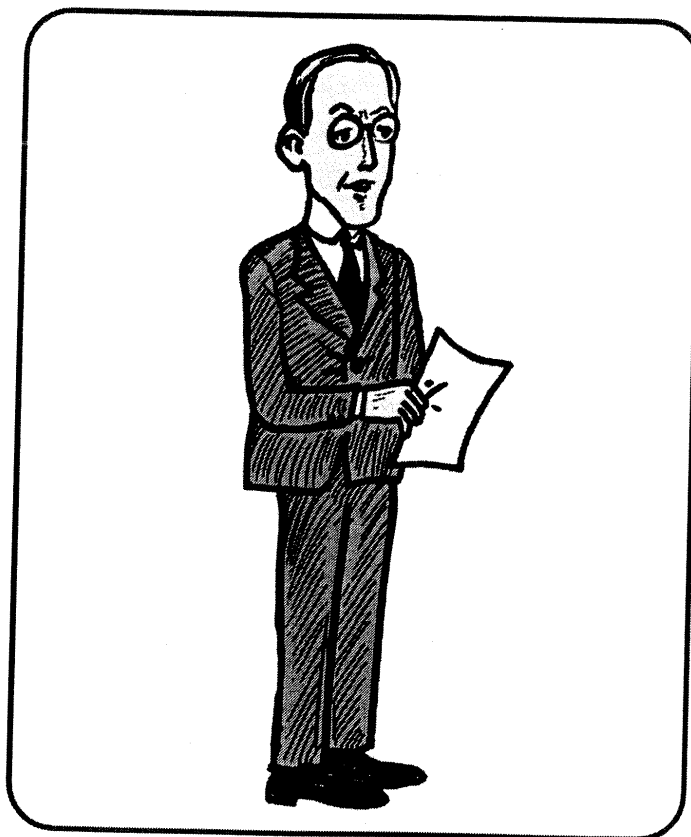
His advocacy of the League of Nations no more represents idealism  
on his part than his advocacy of peace without victory....

He is a silly doctrinaire at times and an utterly selfish  
and cold-blooded politician always.”

—Theodore Roosevelt

“He thinks he is another Jesus Christ come upon the earth to reform men.”

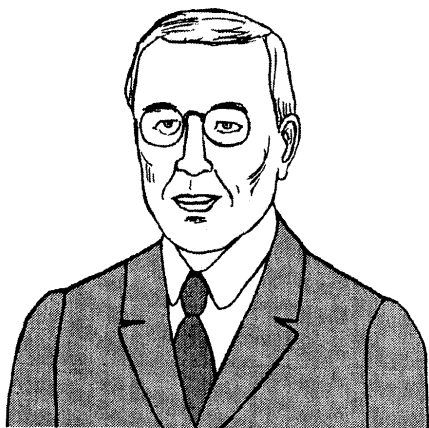
—French President Georges Clemenceau, 1919



## 16-1 ★ WHO WAS WOODROW WILSON?

“I wish there were some great orator who could go about and make men drunk with this spirit of self-sacrifice... whose tongue might every day carry abroad the golden accents of that creative age in which we were born as a nation.”

—Woodrow Wilson



**THOMAS WOODROW WILSON**

28th President, 1913-1921

**Political Party:** Democratic

**Vice president:** Thomas R. Marshall

**Nickname:** “Schoolmaster”

5’11” — 180 pounds

Woodrow Wilson brought to the presidency a national reputation as educator and scholar, a confidence in the power of ideas, and little political experience.

He also brought a view of the president as “Big Chief”—the “only national voice in affairs.” He wrote soon after his election, “the President must be prime minister, and he is the spokesman of the Nation in everything.”

In philosophy, Wilson’s “New Freedom” campaign platform bespoke a Jeffersonian liberal, committed to limited government. In practice, Wilson meant by New Freedom the use of federal power to restore individualism and competition.

Unlike Roosevelt’s “New Nationalism,” which regarded big business as inevitable and beneficial if regulated, Wilson regarded big business as harmful and in need of dismantling.

In practicality, then, Wilson was a progressive Democrat. What reforms would he pursue?

### BIOGRAPHY AT A GLANCE: WOODROW WILSON, 1856-1924

**BORN:** December 28, 1856, in Staunton, Virginia

**ADULT HOME:** Princeton, New Jersey

**ANCESTRY:** Scotch-Irish; father a Presbyterian minister

**RELIGION:** Presbyterian

**EDUCATION:**

Davidson College, 1873

Princeton University, 1875-1879; graduated 38th in a class of 167 students

University of Virginia Law School, attended 1879, 1880; dropped out for health reasons; admitted to the bar, 1882

Johns Hopkins University; in 1886 awarded Ph.D. in political science

**FAMILY:**

Married in 1885 to artist Ellen Louise Axson (1860-1914), who died of Bright’s disease in the White House

Three daughters: Margaret, Jessie, and Eleanor

Married in 1915 to Edith Bolling Galt (1872-1961) from 1915 to 1924

**MILITARY SERVICE:** None

**PRE-PRESIDENTIAL CAREER:**

Lawyer, 1883

Professor, 1885-1902; Bryn Mawr, Wesleyan University, Johns Hopkins University, Princeton University

President of Princeton University, 1902-1910

Governor of New Jersey, 1910-1913

**BOOKS BY WILSON:** *George Washington* (1896), *A History of the American People* (5 vols., 1902), *Constitutional Government in the United States* (1908)

## 16-2 ★ WILSON'S FIRST NEW FREEDOM REFORM—LOW TARIFF

Woodrow Wilson emphasized three major New Freedom reforms in his inaugural address:

- ◆ a low tariff—one that “does not violate the just principles of taxation”
- ◆ a decentralized banking system—to spread credit opportunities and control the money supply
- ◆ regulatory laws—to limit unfair business practices and prevent monopolies

### WILSON'S NEW FREEDOM OBJECTIVE—EQUAL OPPORTUNITY FOR EXPECTANT CAPITALISTS

Woodrow Wilson called himself “a progressive with the brakes on.”

He distrusted *laissez-faire* conservatives who wanted special privileges for business  
—as did Senator Nelson Aldridge.

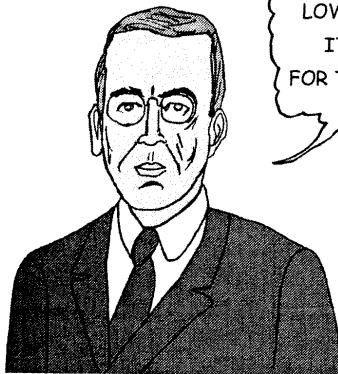
And he distrusted **liberal progressives** who wanted to control business  
through regulation—as did Theodore Roosevelt.

Wilson wanted government to release business from privilege and control.

He wanted government to restore a level playing ground for the  
risk-taking, “man on the make” entrepreneur—the small capitalist.

Wilson said, “I don’t want a smug lot of experts to sit down behind  
closed doors in Washington and play Providence to me.”

### THE UNDERWOOD TARIFF, 1913—LOWEST IN 50 YEARS



LOWER THIS WALL.  
IT'S TOO HIGH  
FOR THE LITTLE MAN.

President Wilson addressed Congress in person to urge a reduction in tariff rates. He argued that the high Payne-Aldrich Tariff gave an unfair advantage to big business. Lower rates would restore competition.

Wilson warned, “We must abolish everything that bears even the semblance of privilege, or...artificial advantage...”

Congress responded with the Underwood-Simmons Tariff, the lowest in 50 years, and the first to lower rates since the Civil War.

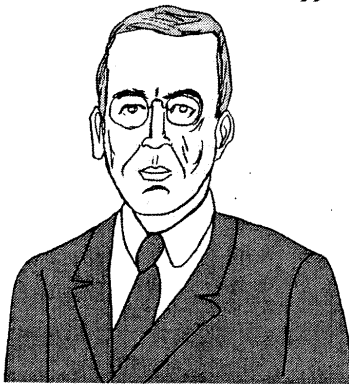
To offset an expected loss of customs revenue, the tariff bill included an income tax provision under the terms of the recently passed Sixteenth Amendment to the Constitution.

Incomes exceeding \$4,000 would be taxed at a 1 to 6 percent range.



## WHAT'S THE PROBLEM?

CONTROL OF THE BANKING SYSTEM MUST BE VESTED IN THE GOVERNMENT ITSELF, SO THAT BANKS MAY BE THE INSTRUMENTS, NOT THE MASTERS OF BUSINESS AND OF INDIVIDUAL ENTERPRISE AND INITIATIVE.



Once the Underwood Tariff became law, Wilson turned to banking reform. The country could not afford to repeat the financial Panic of 1907.

Wilson focused on two problems:

**First:** The National Banking Act of 1863 required banks to keep on hand a certain amount of money in case customers rushed in at once to withdraw their funds. Yet that act did not provide a central money supply from which banks could borrow. A withdrawal rush could break a bank.

**Second:** The National Monetary Commission created by Congress after the 1907 Panic discovered what amounted to a money trust. New York banks dominated by J.P. Morgan and John D. Rockefeller controlled much of the nation's money supply. Progressives such as William Jennings Bryan demanded that Congress destroy the money trust and assume federal regulation of the banking system. Conservatives disagreed. Wilson helped Congress work out a compromise: the Federal Reserve Act.

## THE FEDERAL RESERVE ACT, 1913

On December 23, 1913, Congress passed the Federal Reserve Act. It created three layers of banking regulation.

1. The Federal Reserve Board, with members and chairperson appointed by the president
2. Twelve Federal Reserve districts, each the site of a Federal Reserve Bank that served private banks in the region. These "bankers' banks" are privately owned, an aspect favored by conservatives. The regional sites constitute an even distribution of credit, an aspect favored by progressives.
3. Community banks throughout the country that join the Federal Reserve System. These banks can buy stock in the regional Federal Reserve Banks and borrow money from them.

To control the money supply, the Federal Reserve Board sets the interest rate regional banks charge in lending money to member banks. If the Board decides the economy needs more money, it lowers the interest rate. This encourages member banks to borrow money (because the money becomes cheaper) which they then lend their customers.

The Federal Reserve System is not perfect. It did not prevent the 1929 Panic; however, it has created a more flexible financial system for the country and has made credit available to all regions.

THE 12 FEDERAL RESERVE DISTRICTS AND THEIR REGIONAL BANK SITES



CLAYTON ANTITRUST ACT, 1914

Wilson next went after monopolies, which he considered the main threat to small businesses. He worked with Congress to strengthen the Sherman Antitrust Act, and the result was the Clayton Antitrust Act of 1914.

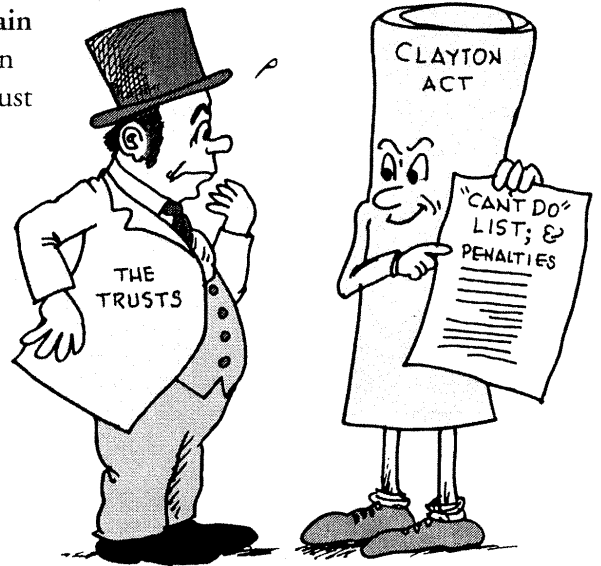
The Clayton Act stipulated what corporations could not do.

For example:

- ◆ Corporations could not purchase stock from a competitor.
- ◆ A person could not serve on the board of directors for competing firms.

The Clayton Act dealt with labor unions as well as corporations. Called the Magna Carta for labor, the act:

- ◆ exempted labor from prosecution under the antitrust laws
- ◆ limited the use of injunctions in labor disputes.



CHILD LABOR LAWS

In 1916 the KEATING-OWEN ACT prohibited interstate shipment of goods manufactured by children. The Supreme Court declared this act unconstitutional in *Hammer v. Dagenhart* in 1918.

In 1919 Congress passed the CHILD LABOR ACT, which placed a 10 percent tax on the profits of companies employing children. In 1922 the Supreme Court declared this act unconstitutional in *Bailey v. Drexel Furniture Co.*

OTHER REGULATORY ACTS

In 1914 the FEDERAL TRADE COMMISSION replaced the Bureau of Corporations created by Theodore Roosevelt. It had the power to police corporations for unfair business practices, such as fraudulent advertising, and order them to stop. Neither the Sherman Act nor Clayton Antitrust Act had this power.

In 1916 the ADAMSON ACT fixed the eight-hour day for trainmen. Wilson had lobbied Congress for this law in order to prevent a railroad strike.

1916—WILSON ENDS HIS REFORM EFFORTS AS WAR CLOUDS GATHER.

Pleased with accomplishing his domestic goals of tariff reduction, banking reform, and regulatory laws, Wilson's reform efforts came to an end in 1916, as the United States worried about entering World War II.

Wilson did sign into law three Constitutional amendments discussed earlier.



1913—Seventeenth Amendment



1919—Eighteenth Amendment

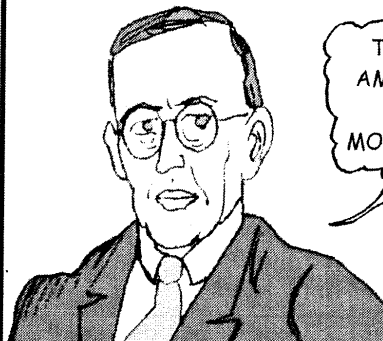


1920—Nineteenth Amendment

“It would be the irony of fate if my administration had to deal chiefly with foreign affairs.”—Woodrow Wilson, 1913

### MORAL DIPLOMACY

Wilson replaced Taft's dollar diplomacy with moral diplomacy, stating that:



THE FORCE OF AMERICA IS THE FORCE OF MORAL PRINCIPLE.

Through moral diplomacy, Wilson aimed to spread democracy, human rights, and world peace.

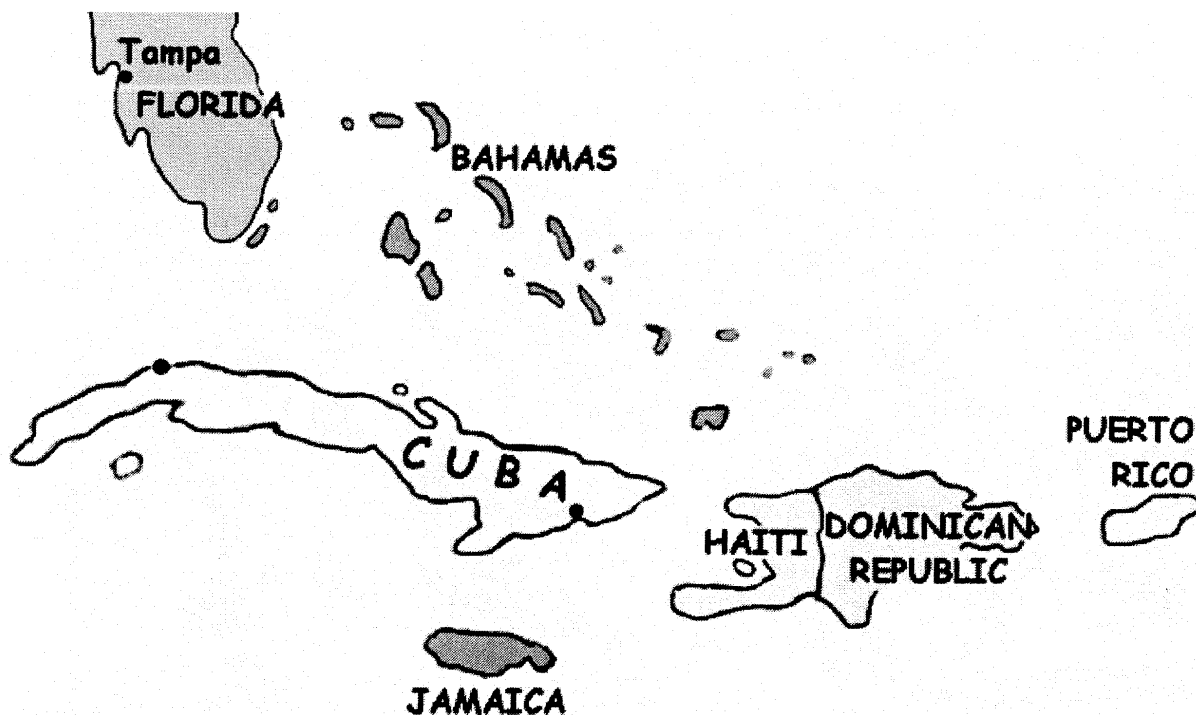
On March 19, 1913, in his first repudiation of dollar diplomacy, he withdrew support from a proposed bankers' loan to China, declaring it incompatible with Chinese sovereignty.

Thereafter, William Jennings Bryan, Wilson's Secretary of State, negotiated treaties with 30 nations in which disputes were submitted to arbitration. Resort to force was prohibited before a “cooling off” period of one year. Twenty-one treaties were ratified.

### CARIBBEAN INTERVENTIONS

Wilson's well-intentioned moral diplomacy proved unrealistic in the Caribbean crises of his administration. Despite his 1913 statement that his goal in Latin America was “to prove ourselves their friends... upon terms of equality and honor,” he repeatedly intervened militarily.

- ◆ HAITI—In 1915 Wilson sent troops to quell financial anarchy in Haiti and prevent European intervention. Through a 30-year treaty with Haiti, the United States assumed control of Haiti's finances and police force. Economic stability resulted, but so did Haitian resentment.
- ◆ SANTO DOMINGO (the Dominican Republic)—In 1916 Wilson sent troops to Santo Domingo to put down a revolution against the local government. They succeeded but remained for almost a decade, and the United States maintained control of the customs service another decade.
- ◆ NICARAGUA—Wilson retained in Nicaragua U.S. Marines who had been sent to restore order there in 1912.



## THE MEXICAN CRISIS

In 1913 President Wilson faced, or created, problems with Mexico that almost resulted in a war. In the Mexican Revolution of 1910-1911, Porfirio Diaz, president-dictator of Mexico for three decades, was ousted by Francisco Madero, a liberal. Then came a counter-revolution. In February 1913, just before Wilson's inauguration, Victoriano Huerta, a dictatorial general, seized the presidency and had Madero assassinated.

What would Wilson do? The United States had always recognized Mexico's leaders, no matter how they were chosen, and more than 20 foreign countries had already given Huerta *de facto* recognition.

Exercising moral diplomacy, Wilson refused to recognize the "unspeakable Huerta" and accept "government by murder." He refused despite pressure from American businessmen intent on protecting their \$1,500,000,000 investment in Mexican mines, oil fields, rubber plantations, and railroads. Wilson recalled the U.S. ambassador to Mexico, announced an arms embargo, and adopted a "watchful waiting" policy.

In April 1914 Huerta's forces arrested some American marines whose ship had landed to refuel at Tampico, Mexico. Despite their quick release, Wilson demanded from Huerta an apology and a 21-gun salute to the American flag. Huerta apologized but did not salute.

Would there be war? On April 20, 1914, Wilson asked Congress for permission to use armed force "to obtain from General Huerta the fullest recognition of the rights and dignity of the United States." Wilson learned the next day that a German ship carrying arms for Huerta was nearing Vera Cruz, Mexico. Without waiting to hear from Congress, Wilson ordered U.S. Admiral Mayo, whose ship had landed in Tampico, to seize Vera Cruz and enforce the arms embargo. On April 22 Admiral Mayo's marines captured Vera Cruz, killing several hundred Mexicans.

To prevent a U.S.-Mexican war, the "ABC powers" of South America—Argentina, Brazil, and Chile—stepped in to mediate. Huerta was persuaded to leave Mexico, Wilson withdrew the U.S. marines from Veracruz, and Venustiano Carranza, Huerta's rival, became president of Mexico.

The idealistic Wilson hailed Carranza's presidency as the dawn of "New Freedom" for Mexico. Realism set in when General Francisco "Pancho" Villa turned against Carranza, and Mexico erupted in civil war. Villa then turned on the United States for recognizing Carranza as president. On March 9, 1916, he raided Columbus, New Mexico, killed several Americans, and burned the town.

With Carranza's reluctant agreement, Wilson ordered General John J. "Black Jack" Pershing on a "punitive" mission into Mexico to capture Pancho Villa: Pershing was to "punish" Villa but not fire on his troops. The eleven-month chase was exciting but unsuccessful. Villa got away, and Pershing was called home in January 1917 to prepare American forces for World War I. What kind of war leader would President Wilson be?

