

been largely responsible in the great increase in overhead expense, which in many cases, has resulted in the Government being unable to compete with outside concerns and has resulted in contracts being placed with outside parties to do work which the Arsenal is equipped to do and which, under normal conditions, could be done at a cost considerably under that charged by the Contractor securing the work. For instance, it has become the practice to let large contracts for manufacturing patterns, which the Arsenal is equipped to manufacture and could manufacture at a figure considerably below that charged by outside concerns; the quality of work being considered were it not burdened by an excessive overhead charge which must be carried to pay an abnormal non-productive force of employees.

We cite the above case to show that there is ground for our belief that the continuance of this System would finally eventuate in closing this Arsenal as a manufacturing Plant.

A large corps of inspectors are kept busy examining and rejecting material, and the number of pieces rejected since the Premium System was inaugurated has increased by a large percentage. The number of parts rejected since the System was installed will run well into the thousands.

The effect of this System here has been to create a feeling of distrust between the employees and the management; it has destroyed every vestige of coöperation between the workmen and the foremen collectively, and has produced a condition of unhappiness throughout the whole works.

For the reasons as stated above as well as many others which we will not trouble with at this time, we respectfully pray that you, as head of the War Department, take such immediate steps as will effectually remove this System from Watertown Arsenal and restore the workmen to a condition similar to that enjoyed by other artisans and laborers in the public service as well as in most private manufacturing plants.

We also respectfully petition that the records as obtained by means of stop watch observation be removed from this Arsenal or destroyed altogether as they do not represent the normal time in which given work should be accomplished, but rather they are the product of the "speed up" System which has resulted in accidents, inferior work and numerous abuses such as no American Citizen should be called upon to endure.

In conclusion let it be understood that the signatures to this petition were not obtained by coer-

cion or unfair means and each individual signing this petition, does so of his own free will and accord.

Respectfully submitted,
Maurice W. Bowen
Chairman Representative Committee
23 Charles St., Auburndale, Mass.

Signed by 51 molders and helpers; 25 pattern makers, carpenters, and painters; 17 blacksmiths and helpers; 53 yard laboring men; 88 machinists and helpers, assembling department; 88 machinists and helpers.

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Dollar Diplomacy and Its Repudiation

Speech Advocating "Dollar Diplomacy"

Speech

By: William Howard Taft

Date: December 3, 1912

Source: Taft, William Howard. Speech Advocating "Dollar Diplomacy." Excerpt from the Fourth Annual Message of President Taft to Congress, December 3, 1912. Reprinted in Gambone, Michael D., comp. *Documents of American Diplomacy: From the American Revolution to the Present*. Westport, Conn.: Greenwood Press, 2002, 140–142.

About the Author: William Howard Taft (1857–1930) began his career as an Ohio lawyer and judge. In 1898, he was appointed head of the Philippine Commission, and then Governor General of those islands, which the United States had acquired in the Spanish-American War (1898). In 1904, Taft became Secretary of War to President Theodore Roosevelt. He was elected to the presidency in 1908, and served until 1913. Taft supported the expansion of American power abroad and pursued a domestic reform program intended to conserve natural resources and reduce the power of big business. However, he was not nearly as bold in his actions as

Roosevelt, who ran against him in 1912 and contributed to his reelection defeat. In 1921, Taft was appointed chief justice of the Supreme Court, where he served until shortly before his death.

Speech Repudiating “Dollar Diplomacy”

Speech

By: Woodrow Wilson

Date: March 19, 1913

Source: Wilson, Woodrow. Speech Repudiating “Dollar Diplomacy.” Speech given to American bankers of the Four-Power Consortium, March 19, 1913. Originally appeared in *American Journal of International Law* 7, 1913, 338–339. Reprinted in *Documents of American Diplomacy: From the American Revolution to the Present*. Michael D. Gambone, comp. Westport, Conn.: Greenwood Press, 2002, 142–143.

About the Author: Woodrow Wilson (1856–1924) was a professor of political science and then president at Princeton University, before becoming governor of New Jersey in 1910. In 1912 he won the presidency. A progressive reformer, Wilson worked to give government greater control over business and protect the public interest through lawsuits and the creation of the Federal Trade Commission and the Federal Reserve. He supported the establishment of an income tax, and the granting of the vote to women in 1918. In foreign policy Wilson was an idealist and moralist who sought the peaceful expansion of democracy. However, he often felt compelled to use military force, first in Latin America, and then, in 1917, joining the Allied powers in World War I (1914–18). During and after the War Wilson continued to push for his ideals, leading to the formation of the League of Nations. ■

Introduction

Through much of the nineteenth century, American foreign policy had been characterized by isolationism and noninterference in world affairs. By the beginning of the twentieth century, however, these policies had been abandoned in Europe, Latin America, and Asia. War with Spain over Cuba in 1898 left no doubt that the United States was a bona fide imperial power. The United States had annexed Hawaii earlier that year, and its pursuit of its “manifest destiny” of westward expansion had led to the capture of California and much of the American southwest from Mexico in the Mexican-American War (1846–1848).

As American economic power increased, American financiers and industrialists supported an activist foreign policy designed to promote political stability—and thus a hospitable commercial environment in which their investments could flourish. Similarly, American political leaders began to use access to the nation’s commercial power for leverage in advancing their diplomatic goals.

Always of special concern because of their close geographic locations, relations between the United States



President Wilson (left) and former President Taft at the White House in 1913. © BETTMANN/CORBIS. REPRODUCED BY PERMISSION.

and Latin America assumed even greater importance during the turn of the twentieth century. The construction of the Panama Canal further solidified American interest in Central America, and President William Howard Taft sought to use American economic and military power to sustain political regimes friendly to American commercial interests.

The Spanish-American War and the resultant colonization of the Philippines drew America deeper into Asian affairs, as well. Concern over security and economic access to Asian markets led America to strengthen its commitment to naval expansion and to increase its presence in China. As in Latin America, Taft saw American commercial investment and the maintenance of diplomatic ties in the Far East as mutually supportive.

Significance

The Taft administration brought American commercial and diplomatic interests closer than they had ever been before. Taft’s secretary of state, Philander C. Knox, encouraged private American banking interests to extend credit to pro-American regimes in Honduras, Nicaragua, and Haiti. The Taft administration called this foreign policy “dollar diplomacy,” since it used American capital as a bargaining tool in the support or opposition of national political regimes. In the case of Nicaragua, where economic

incentives were unsuccessful in bringing about U.S. foreign policy aims, Taft sent 2,700 marines to crush an internal revolt against pro-American president Aldolfo Díaz.

Taft and Knox sought to apply dollar diplomacy to the Far East, as well. Commercial relations between Asia and America had grown closer in the early twentieth century. But the construction of European-financed railroads threatened to limit this new economic access. Backed by American railroad and banking interests, Taft insisted that America preserve its influence in Asia by loaning China money for railroad construction. This blatant effort to secure an economic foothold in Asia angered China's neighbors, prompting anti-American sentiment in Russia and Japan.

The explicit use of American economic power to influence other nations' political goals ran counter to President Woodrow Wilson's commitment to national self-determination. Upon taking office, Wilson immediately denounced the Taft administration's foreign policy. He withdrew American support for investments in China and backed Latin American nations' pursuit of self-governance devoid of American intervention. Nonetheless, Wilson's diplomatic initiatives were moderated by a continuing concern for the protection of foreign markets. When revolution swept through the Caribbean, Wilson sanctioned military intervention in Haiti and the Dominican Republic. He also kept in place the troops Taft had stationed in Nicaragua, unwilling to diminish America's presence near the Panama Canal.

Primary Source

Speech Advocating "Dollar Diplomacy"

SYNOPSIS: In this speech from December 3, 1912, President William Howard Taft explains how American investments—in railroads, mining, cattle, and export agriculture—can help secure American influence in the Far East and Latin America.

China

In China the policy of encouraging financial investment to enable that country to help itself has had the result of giving new life and practical application to the open-door policy. The consistent purpose of the present administration has been to encourage the use of American capital in the development of China by the promotion of those essential reforms to which China is pledged by treaties with the United States and other powers. The hypothecation to foreign bankers in connection with certain industrial enterprises, such as the Hukuang railways, of the national revenues upon which these reforms depended, led the Department of State early in the administration to demand for American citi-

zens participation in such enterprises, in order that the United States might have equal rights and an equal voice in all questions pertaining to the disposition of the public revenues concerned. The same policy of promoting international accord among the powers having similar treaty rights as ourselves in the matters of reform, which could not be put into practical effect without the common consent of all, was likewise adopted in the case of the loan desired by China for the reform of its currency. The principle of international cooperation in matters of common interest upon which our policy had already been based in all of the above instances has admittedly been a great factor in that concert of the powers which has been so happily conspicuous during the perilous period of transition through which the great Chinese nation has been passing.

Central America Needs our Help in Debt Adjustment

In Central America the aim has been to help such countries as Nicaragua and Honduras to help themselves. They are the immediate beneficiaries. The national benefit to the United States is twofold. First, it is obvious that the Monroe doctrine is more vital in the neighborhood of the Panama Canal and the zone of the Caribbean than anywhere else. There, too, the maintenance of that doctrine falls most heavily upon the United States. It is therefore essential that the countries within that sphere shall be removed from the jeopardy involved by heavy foreign debt and chaotic national finances and from the ever-present danger of international complications due to disorder at home. Hence the United States has been glad to encourage and support American bankers who were willing to lend a helping hand to the financial rehabilitation of such countries because this financial rehabilitation and the protection of their customhouses from being the prey of would-be dictators would remove at one stroke the menace of foreign creditors and the menace of revolutionary disorder.

The second advantage of the United States is one affecting chiefly all the southern and Gulf ports and the business and industry of the South. The Republics of Central America and the Caribbean possess great natural wealth. They need only a measure of stability and the means of financial regeneration to enter upon an era of peace and prosperity, bringing profit and happiness to themselves and at the same time creating conditions sure to lead to a flourishing interchange of trade with this country.

I wish to call your especial attention to the recent occurrences in Nicaragua, for I believe the ter-

rible events recorded there during the revolution of the past summer—the useless loss of life, the devastation of property, the bombardment of defenseless cities, the killing and wounding of women and children, the torturing of noncombatants to exact contributions, and the suffering of thousands of human beings—might have been averted had the Department of State, through approval of the loan convention by the Senate, been permitted to carry out its now well-developed policy of encouraging the extending of financial aid to weak Central American States with the primary objects of avoiding just such revolutions by assisting those Republics to rehabilitate their finances, to establish their currency on a stable basis, to remove the customhouses from the danger of revolutions by arranging for their secure administration, and to establish reliable banks.

Primary Source

Speech Repudiating “Dollar Diplomacy”

SYNOPSIS: In this speech given March 19, 1913, President Woodrow Wilson repudiates Taft’s “dollar diplomacy,” arguing that the conditions of American investments in China “touch very nearly the administrative independence of China itself.”

We are informed that at the request of the last administration a certain group of American bankers undertook to participate in the loan now desired by the Government of China (approximately \$125,000,000). Our government wished American bankers to participate along with the bankers of other nations, because it desired that the good will of the United States towards China should be exhibited in this practical way, that American capital should have access to that great country, and that the United States should be in a position to share with the other Powers any political responsibilities that might be associated with the development of the foreign relations of China in connection with her industrial and commercial enterprises. The present administration has been asked by this group of bankers whether it would also request them to participate in the loan. The representatives of the bankers through whom the administration was approached declared that they would continue to seek their share of the loan under the proposed agreements only if expressly requested to do so by the government. The administration has declined to make such request because it did not approve the conditions of the loan or the implications of responsibility on its own part which it was plainly told would be involved in the request.

The conditions of the loan seem to us to touch very nearly the administrative independence of China itself; and this administration does not feel that it ought, even by implication, to be a party to those conditions. The responsibility on its part which would be implied in requesting the bankers to undertake the loan might conceivably go to the length in some unhappy contingency of forcible interference in the financial, and even the political, affairs of that great oriental state, just now awakening to a consciousness of its power and its obligations to its people. The conditions include not only the pledging of particular taxes, some of them antiquated and burdensome, to secure the loan, but also the administration of those taxes by foreign agents. The responsibility on the part of our government implied in the encouragement of a loan thus secured and administered is plain enough and is obnoxious to the principles upon which the government of our people rests.

The Government of the United States is not only willing, but earnestly desirous, of aiding the great Chinese people in every way that is consistent with their untrammelled development and its own immemorial principles. The awakening of the people of China to a consciousness of their possibilities under free government is the most significant, if not the most momentous event of our generation. With this movement and aspiration the American people are in profound sympathy. They certainly wish to participate, and participate very generously, in opening to the Chinese and to the use of the world the almost untouched and perhaps unrivaled resources of China.

The Government of the United States is earnestly desirous of promoting the most extended and intimate trade relationships between this country and the Chinese Republic. . . . This is the main material interest of its citizens in the development of China. Our interests are those of the open door—a door of friendship and mutual advantage. This is the only door we care to enter.

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Money Trust Investigation

Testimony

By: U.S. House of Representatives

Date: December 19, 1912

Source: U.S. House Committee on Banking and Currency. *Money Trust Investigation: Investigation of Financial and Monetary Conditions in the United States, Under House Resolutions Nos. 429 and 504, Before a Subcommittee of the Committee on Banking and Currency*. 62nd Cong., 3rd sess., 1912–13, vol. 15, pp. 1019–1024; 1049–1052.

About the Author: J. Pierpont Morgan (1837–1913) headed the banking firm J.P. Morgan and Company from 1890 until his death. The most powerful figure in American finance in the early twentieth century, Morgan employed his dominating personality and exceptional business acumen to bring financial order to a rapidly expanding economy. Morgan stood at the very center of that order, gaining a degree of personal control over the American economy that many found unsettling. ■

Introduction

The American economy surged in the late nineteenth century, securing the nation’s status as one of the world’s foremost industrial powers. Much of this economic expansion rested on the capital amassed by J.P. Morgan and his Wall Street associates and channeled into national railroad corporations and other industrial giants such as U.S. Steel, International Harvester, and General Electric. Morgan not only had a hand in creating these potent industrial combinations, but he also exercised great power over international banking. The central figure in New

York’s financial community, he rallied fellow bankers to head off the financial panic of 1907.

At first, Morgan was celebrated for averting economic catastrophe. But charges that he had profited from his role in preventing the panic led many to question Morgan’s stewardship of the American economy. Fear that too much control lay in the hands of a “money trust” led to a congressional investigation.

Chairman Arsene Pujo of the House Banking and Currency Committee presided over the lengthy congressional investigation in 1912 and 1913. Morgan was one of the investigatory committee’s primary targets, and lead counsel Samuel Untermyer sought to demonstrate that Morgan and his banking cohorts exerted a stranglehold over American credit. Morgan staunchly defended the wisdom and appropriateness of his conduct as the nation’s premier banker. But revelations of the enormity of concentrated wealth and control over credit by a small group of financiers—the Money Trust—struck many as an undemocratic exercise of private power.

Significance

Morgan’s testimony illustrates the degree to which he believed that personal traits, such as high character and sound moral judgment, justified the great power he had over concentrated capital. For all of his life, the national government had resisted efforts to place central controls on American banking. His personal success, and the success of the industrial combinations he helped organize, rested on his ability to direct the flow of international capital, reduce economic competition, and generate stable market conditions. From his perspective, his personal business interests and the national interest in economic growth were in perfect alignment.

By contrast, Untermyer was less confident that members of the Money Trust could effectively distinguish what was good for them from what was good for the nation. As he pressed Morgan to describe the details of his banking operations, a picture emerged in which a small group of bankers, sitting on the boards of directors of large industrial corporations, squelched open competition, monopolized the control of credit, and limited economic freedom and entrepreneurial opportunity. Though many accepted Morgan’s justification as sincere, few were comfortable with allowing such power to reside unchecked in one man. In 1913, the year of Morgan’s death, the Federal Reserve System was created to give the government greater control of money and credit.

Primary Source

Money Trust Investigation [excerpt]

SYNOPSIS: In this excerpt from the proceedings of the Money Trust investigation, lead counsel Samuel