

JUST A LITTLE BIT MORE

**THE CULTURE OF EXCESS AND
THE FATE OF THE COMMON GOOD**

T. CARLOS ANDERSON

Blue Ocotillo Publishing

Austin, Texas

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The Culture of Excess and the Fate of the Common Good
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Blue Ocotillo Publishing
Austin, Texas
www.blueocotillo.com



Distributed by ACTA Publications
4848 N. Clark St.
Chicago, IL 60640
www.actapublications.com / 800-397-2282

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Library of Congress Catalog Number: 2014902927
ISBN: 978-0-9915328-1-0

Dedicated to my Mom and Dad

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FOREWORD

Writing on behalf of the common good, the author asks how the American economy can benefit all, not a few. As currently structured, it can't. T. Carlos Anderson argues for an egalitarian approach to fiscal matters.

Defly, he sets the historical scene of how the economy took the form of religion. Money is the new god, actually, the old god in new design. For a god is that in which you put your trust. By tracing the development of the economy from the land of opportunity to the *summum bonum*, the reader gets a perspective as to why we are in the present quagmire.

The new religion comes with priests and bishops known as bankers and investors. The free market evangelists boast of the invisible hand that guides the system. There are even rogue angels like Bernie Madoff and other Ponzi schemers. With money as god, financial worth determines worthiness. Money is no longer "the root of all evil" but the essence of the good life. Excess is the sign of cosmic blessing.

Years ago, psychologist Erich Fromm noted that "greed is a bottomless pit," an apt image for hell. Greed "exhausts the person in an endless attempt to satisfy need," but Fromm contends that the need is insatiable, leading to addictive behavior and the selling of one's soul.

Anderson knows that money talks, but it is a one way conversant. He wants economic democracy to be the new standard to define a system that has lost a sense of proportion.

The reader will benefit immensely in seeing how we have shaped the system we are part of and what can lead to a new way of doing economics that embraces the common good.

Peter L. Steinke

Author and consultant

INTRODUCTION

I want to tell you a story, captivating yet tragic, about a god that has been around for a long time. This deity has staked its claim, oftentimes successfully, in human hearts; through the ages its spirit has been manifested variously in peoples and their events from the Dutch tulip panic to the 2007–08 financial crisis emanating from the US housing market. This god is not new; its inhabited forms and shapes, however, always seem to give the impression of novelty. Its liturgies and incantations allure, its high priests (yes, mostly all male) impress, and burgeoning converts hold fast in the way. For the last one hundred years—what I call the long era—the *new way* of this god has promoted *excess* to the detriment of purposeful common good. Specifically, for the last thirty-five years—the short era—a fundamentalist belief in the powers and ways of the market has pushed excess to new extremes. Excess is not solely the propriety of Wall Street; excess has filtered its way into numerous significant areas of American life.

Common good is a term whose import is not what it used to be. American history testifies to periods when the term was a greater part of societal custom and acceptance. The current day is not one of those periods; the concept, along with others such as egalitarianism and moderation, has fallen out of favor, as I will explore in this book, because of an overarching problem that ails our public life: societal inequality. This specific problem, manifested financially, politically, and economically, has been generated by a propensity for excess. Overconsumption and overcompensation are two apt descriptions of American life since the early 1980s. A great strength of American character through its history has been the ability to risk and push beyond boundaries. American inventiveness, ingenuity, and drive have changed the world for the better—over and again. Yet oftentimes a society's greatest strength can also be its greatest weakness. Sometimes we reach too far with risk or extend ill-advisedly beyond certain boundaries, to the impairment of societal good. Sometimes it's better to accept limits and to reject the allure of unlimitedness.

A pendulum is one of the most beautiful yet simplest of machines: utilitarian, precise, hypnotic. Attributed, by some, with spiritual powers of healing and divination, pendulums traverse the realms of physics and metaphysics. But stripped bare, all a pendulum does, when put into motion, is swing—back and forth, back and forth. There are tales to be told and worlds to be discovered within the arcs of a pendulum.

The stories told in this book, and the thoughts they provoke, are like the arcs created by the fluid tempo of the pendulum. The arc extends to outer reaches

and extreme points, but ample space exists for thoughts and experiences within the boundaries. In our current day and time, polemics sell; the political realm is especially poisoned with the compulsion to choose one side or the other. If you don't have a chosen side, or worse, if you are a "flip-flopper," then you are decidedly out of step. This book recognizes the shallowness of gutting out the wide middle regions of certain arguments for what the purging oftentimes is: a hustle, or at least some type of manipulation. Life is made up of many complex parts producing elaborate sums—reducing them to simplistic choices of either-or often makes for an unnecessarily limiting panorama. I don't mean to say that having a point of view or taking a stand is unworthy or untenable. Most all the big issues, however, do not have simple resolutions; in a constantly changing and increasingly complex world, both steadfastness and flexibility are needed. Tunnel vision has its time and place, as does stepping back and seeing the wider view. Both views are limiting and revealing, simultaneously. Perhaps those who are wrongly labeled flip-floppers (some are justly labeled so) actually have a wider view and a greater understanding of reality.

As an example, capitalism is the economic system that has emerged from the figurative and actual battles of the twentieth century as the best structure to provide food, opportunity, and prosperity for great populations. It has boosted millions of people upward from the depths of poverty. Yet, it's not a perfect system: wealth tends to siphon and accumulate upward and disabled and disadvantaged members of society can be easily marginalized. The system needs social accountability, by government and other organizations, for there to be social accord—only a blatant ideologue would say otherwise. And that's precisely the point; critique doesn't always mean rejection. One can participate in a dialogue of critique without an opponent having to make accusations of treason or disloyalty. A wide gulf of common sense lies on the other side of "You're either with us or against us." Preying on societal fears and anxieties to prove a point or make a sale, in the long run, diminishes the common good. When put into motion, the pendulum will swing from side to side—to hold the pendulum in one spot is unnatural. When someone is purposely manipulative, for the sake of winning an argument or procuring unjust financial gain, it's akin to not allowing the pendulum to swing. The pendulum's arc has two end points, and all the other points in between are necessary parts of the whole.

Just a Little Bit More, in addressing personal and societal excesses, including overcompensation, overconsumption, greed, and other exorbitances, doesn't assume that these realities are newly with us. From an evolutionary, biological, or psychological sense, the potential to live out these tendencies has been with us forever. My argument is that these tendencies have been ramped up because

of the events of the last one hundred years or so, since the time that John D. Rockefeller Sr. and his peers were making their marks upon history. Their deeds, without judging their faults or merits, simply changed the framework in which we view and understand the world. One hundred years ago the pendulum was made to swing in a larger arc than it had before. Instead of wishing it didn't happen that way or that it shouldn't have happened at all, my aim is to contribute an answer to the question, In this new reality, how then do we live together for the common good?

This book will make the argument that part of the founding *American way* was to exalt egalitarianism—more so, certainly, than various parts of European society that many sojourners left behind in coming to the New World. The pall of slavery, of course, immediately casts doubts on such reasoning, but if we accept complexity and acknowledge human deficiencies the argument can continue forward. The oft-heard argument that religious freedom was part of the original American way is legitimate, but it often overshadows the attribute of egalitarianism. The pursuit and development of an egalitarian society, free of the European vestiges of aristocracy and plutocracy, has been forgotten in our day and age, a time of the adoration of wealth and its accoutrements. From the beginning, the founding American way has been shaped, in part, by egalitarianism. I will assert in the following chapters that egalitarianism is significant to our American heritage and is the *necessary moderator of liberty*—a broadly defined term that includes, among other things, the free pursuit of wealth.

In the history of the United States, the common good subsists in the tension created between egalitarianism and economic liberty. Proponents on both sides have pursued and do pursue wealth and its benefits. A significant difference between the two strains of thought is the means by which general society is benefited. The egalitarian viewpoint does not trust isolated individuals to best serve the common good. The liberty side does not trust government to best serve the common good. While the egalitarian side has focused on the goal of a just society lifting up all citizens, the liberty side has focused on the sum of individual goods as the means to best support the common good. The two competing visions are not mutually exclusive; both perspectives envision how to best conduct a society based in certain freedoms, and they serve to balance the other's extreme tendencies. One side fears human propensity to abuse economic freedoms to the detriment of society; the other side fears overregulation and limitations placed upon economic activity that would hinder wealth creation. The two sides can work together, and they have had a lively interchange over the decades and centuries of American life. On the side of pursuing a shared common good have been American figures such as Thomas Jefferson, Andrew Jackson, Abraham Lincoln,

Theodore Roosevelt, Franklin Delano Roosevelt, and Lyndon B. Johnson. On the side of pursuing individual gains as the best way to benefit society have been Alexander Hamilton, John Rockefeller Sr., Calvin Coolidge, Milton Friedman, Ronald Reagan, and Alan Greenspan.

Related to the exchange between these two competing views is the concept of class warfare in American society. The fomenting of class warfare is a charge—during the 2012 presidential debates, for example—that has been bandied about politically, as if it's a brand new phenomenon. This war of words is not new; America has waged this battle from its earliest days. Inherent to capital creation and wealth accumulation is political power; heated conversations producing such grand documents as the Bill of Rights have served to ascertain the best ways to balance freedoms, powers, and limitations for the good of society and individuals. Mandated balancing of powers has coaxed American society from the extremes (those extremes seen in some of the European societies from which early immigrants fled) that can inhibit social freedoms within a society. Balance and separation of powers in multiple manifestations, politically and socially, are the arbitrating principles that serve to keep the playing field as level as it can be. A healthy, verbal interaction on class identity and privilege is necessary for some sense of balance and social justice to be maintained. When political power and economic force merge to become one, the balance can be obliterated. We live in such a time today. Class conflict has existed since the descendants of foragers gathered in settled communities. The much revered and reputed father of modern economics, Adam Smith, lived during a time (eighteenth century) when class differences and accompanying conflict was commonplace, and the economic realities of “workers” and “masters” only exacerbated the struggle. “Those who live by profit” are “an order of men, whose interest is never the same with that of the public, who have generally an interest to deceive and even oppress the public.”¹ The fact that some Americans actually consider class warfare to be a societal aberration speaks of America's strong egalitarian roots.

Although not forgotten, the concept of the common good certainly doesn't get the attention that it used to. It's been much more in vogue—for two generations—to speak of individual freedoms and liberties. We have good reason to speak of personal rights; they are one of the vestiges of the civil rights movement, wrested from an era that knew and practiced a common good, yet one generally only for white males. And so the pendulum continues to swing. For a society that has known common good from its very beginnings centuries ago but has wrestled with what that means for its indigenous inhabitants, its slaves, its immigrants, its ethnic minorities, its women, its children, and others, this is a conversation that needs to be continually renewed and understood from all possible perspectives. Robert

Bellah, Maya Angelou, Vine Deloria Jr., Robert Putnam, Parker Palmer, and many others have kept it alive in the last decades; this work joins that conversation from a perspective that blends history, economics, religion, sociology, and philosophy.

I confess to being a practitioner and not a scholar; this work is consequently intended for a general audience. Working as a minister for more than twenty years in Texas and Latin America has given me a good glimpse into the issues dealt with in this book: inequality, poverty, and justice. Other issues, such as greed and polemicization, are topics that are currently contested by politicians and citizens and will be for the foreseeable time to come. Ours is a religious society—*religious* defined as “the search for meaning” (world religion historian Huston Smith, among others)—that for generations now has found its meaning in commerce. For better and for worse, the confluence of commerce, materialism, and consumerism undergird *market fundamentalism*, the true defining American religion. (Chapters 4 and 5 will extensively discuss this position.) Call it the American Dream, or describe it in the way a friend recently did: “America is held together by a desire to acquire more things, to get ahead.” This common creed has positive and redeeming social traits, but when lines are crossed and accumulation is excessive and extreme, the common good is compromised. Again, how can we live together, balancing freedoms and limits, for the good of society and for the betterment of the world?

This book challenges one answer to this question, the stock answer that defends unfettered capitalism: Individuals acting in self-interest promote the best interests of a society. (Again, critique does not mean rejection.) This understanding has been a guiding light in capitalism’s continued development for more than two hundred years; it is accepted as generally true. However, it is not absolutely true for all times and all situations. For example, criminals (corporate or individual actors) operate in their own self-interest; the majority of us would agree that criminal activity is contrary to the best interests of a society. Some forms of self-interest do need regulation; the best option for such regulation is that of the personal variety—that is, self-control! But do individuals interpret self-control differently? Of course they do. Consequently, we live with communal agreements (spoken and unspoken), social contracts, and laws. Freedoms are limited; unlimited freedom is a fallacy in most areas of life. Life is shared communally; no one lives in a vacuum where his or her actions are of no consequence to anyone else.

Driving a car on the freeway entails freedoms, limitations, and self-interest. Freedoms are enjoyed simply by being able to travel the route of one’s choosing from one place to another. But infinite choices of routes to one’s destination do not exist, and cars are best driven where roads have already been constructed.

Freedom is balanced by limitation. Self-interest serves all drivers sharing the road; we rightly assume most everybody is planning to arrive at their destination in an efficient manner: driving at an accepted speed for the particular road, not crashing their car into another car, and so forth. The rules and expectations of the road are commonly agreed upon; furthermore, some of those rules are enforced by civil authorities—police and sheriff’s deputies. There are many other common expectations, of course, such as acceptable driving habits and proper working conditions of vehicles. When all drive according to the rules, freeways work wonderfully well for our individual and communal transportation goals, with their rightful mix of liberties and restrictions.

But every so often, there are motorists who don’t drive by the rules. Whether they aren’t obeying traffic lights or they are speeding excessively (barring cases of emergency), they drive with the “freedom” of doing what they please. Their motivations to do so can range from plain carelessness to rigid ideology. They *can do* what they are doing; it’s risky, but it can be done. But they do so to the detriment of everyone else sharing the road. This type of behavior writ large and what it does to our society is the purpose of this book. Our freeways are arenas of human social contract, and so are the arenas of economics, politics, and markets. How banks, investment firms, and other businesses operate is part of the contract, because the actions within and of those organizations affect how society gets along. We all are truly in this together, for better or for worse.

We live in a time when the concept of freedom is championed. This book will do some of that, but from an entirely different direction than what is most typically current. Beside the freedom from unjust authority or rule, there are also the freedoms of being liberated from wants and unhelpful desires, along with the freedoms of choosing the best interests of others or the society. And yes, just like other choices, these choices are not necessarily without hazards. Guidelines and markers, individually and communally negotiated, help us do what’s best for the common good.

The familiar phrase “All things in moderation” is the proper ying to excess’s yang. In a sense, excess and moderation are complementary opposites. Stated as such, we understand excess, like moderation, to have good and bad qualities, at one and the same time. One or the other is not wholly evil or wholly good. The two concepts rely upon each other as if they were two parts of the same system. One part—excess—has taken for the last thirty-five years its greater portion in that shared system. A destructive societal inequality has been one result of that imbalance. Nobel Prize-winner Muhammad Yunus states that the social ill of poverty belongs “in a museum” alongside other vestiges of antiquity, such as

slavery, racism, and sexism (unfortunately, which still have some vitality today).² This book serves to join the chorus through the ages that says great economic disparities are unacceptable; it's especially true in this day and age of advanced human endeavor. I am not arguing for economic equality—the equal distribution of resources and goods—which is unrealistic and untenable. I am lifting up the idea that *economic democracy*—a newer term, but solidly within the American canon of ideas related to egalitarianism and opportunity—be examined and advocated. We don't have to live in a society where the rich get richer by design and boast more political power in the wake of their good fortune. This type of status quo, going strong for some thirty-five years now, has once again become unacceptable. We've seen it before in the Gilded Age and during the 1920s, the latter manifestation eventually bringing on the Great Depression. It's time for the pendulum to swing in the opposite direction. The supposed new god of excess has had a long enough run; it's time for the common good, based in egalitarianism, to once again flourish.

CHAPTER 1

ROCKEFELLER AND THE NEW PERMISSION

When John D. Rockefeller Sr. retired from the helm of Standard Oil in 1913, he had accumulated a fortune of \$1 billion.¹ His wealth stood apart from that of peers Carnegie, Gould, and Morgan. Not only was he significantly wealthier than his contemporaries but he also had attained more wealth than predecessors Vanderbilt, Astor, and Girard. By the early part of the twentieth century, Rockefeller was the wealthiest person the world had ever known.* Legend has it that around this time Rockefeller was asked the following question about wealth accumulation: “How much is enough?” His reputed answer: “Just a little bit more.”

Without question, Rockefeller was incredibly focused, innovative, and relentless as a worker and business titan. Standard Oil, its development and domination of its field, stands out as a progenitor of a new era in world events. Where did Rockefeller get his drive and determination that fueled his desire to attain “just a little bit more”?

Rockefeller, Carnegie, Gould, and Morgan

John Rockefeller’s father is one of the more interesting characters revealed in the history of public Americans. William “Big Bill” Rockefeller (he stood close to six feet tall, which was quite rare in the mid-1800s) was a confidence man who lived a double life for most of his adult years. As a teenager in New York State, he would drift from town to town posing as a deaf-mute, communicating his deception with the help of chalk and a small slate. He sold cheap novelty items, and preyed on townspeople’s sympathies for monetary gain. Like a Ponzi schemer, his ruse required him to exploit wider and wider territory, lest he be recognized by one previously beguiled. John Rockefeller’s biographer Ron Chernow writes bluntly about Big Bill: “Throughout his life, he expended considerable energy on tricks and schemes to avoid plain hard work.”² In his own way, Bill was just as relentless as his first-born son would turn out to be.

* It could be argued that the House of Rothschild, mid-nineteenth century Europe, controlled more wealth than Rockefeller. The Rothschild dynasty, however, consisted of a father and his five sons.

Big Bill married Eliza Davison in 1837—apparently he saw Eliza’s father, John, as someone who had extractable cash. John Davison was to give Eliza \$500 when she married. In order to marry Eliza, Big Bill broke off his engagement to a Nancy Brown (who worked as Bill’s housekeeper), a relationship that had no promise of remuneration. John D. Rockefeller was born to Big Bill and Eliza in 1839; he followed the birth of sister Lucy and preceded the birth of four siblings. Big Bill, however, was not content to have left Nancy Brown jilted. She continued to work as a housekeeper in Bill and Eliza’s humble home and bore Bill two daughters, their births sandwiching the birth of John D. At the birth of the second illegitimate daughter to Nancy Brown, Eliza’s family intervened on her behalf and forced Big Bill to put Nancy Brown and the two daughters out of the house.*

Big Bill then began a pattern that would define his marriage to Eliza for the next two decades. He abandoned her for months at a time, returning in due season to provide for her and the children. The Rockefellers were not poor, and Big Bill did an admirable job providing for his growing family. Yet they themselves and all others who knew the family were completely unaware how he secured the greater portion of his income.

“Doc” Bill Levingston was Big Bill’s alter ego when he left the environs of his family life with Eliza and their children. Levingston was a traveling physician, selling pills, potions, and the requisite snake oil. Not only that, he met a young woman, Margaret Allen, whom he married. The bigamous relationship was unknown to both Margaret and Eliza. Big Bill would eventually leave Eliza for good, and he managed to keep his double life hidden to most members of both families for decades. One great irony of Big Bill’s life in his later years is that he was not able to tell his “patients” about his rich son lest his ruse be exposed.

When a teenager, and as the oldest son, John D. was responsible for maintenance of the family house and farming their land due to Big Bill’s wanderlust. Being a quite sober lad, he seemed to handle the additional burden very well, while pining for the opportunity to strike out on his own (and to be liberated from his father’s vagaries). Rockefeller attended school until he was sixteen, at which time he left the household to live and work in Cleveland, Ohio. It was there that Rockefeller began his ascendancy in work and business that continually gathered momentum. His was a driven success from early on. Father and son were significantly different in character and practice, yet they shared a relentlessness to achieve and strive for that which was within reach, whether by

* Nancy Brown would eventually marry, bear other children, and provide for a respectable upbringing for her two daughters fathered by Bill Rockefeller (Chernow, 8–10).

hook or crook (father) or by plain hard work (son), outdistancing and outsmarting their competitors. For both, money was the prize.

John D. was brought up as a Baptist, albeit a strain of the denomination that emphasized moral rectitude for a transformed world (more so than for heavenly rewards). Toward the end of his life, Rockefeller explained to interviewer William Inglis, “I was trained from the beginning to work and save. I have always regarded it as a religious duty to get all I could honorably and give all I could.”³ His vocational attributes of thrift, reliability, and honesty were by-products of his religious upbringing.* Accumulating wealth was not frowned upon as long as it did not lead toward pompous and garish display and a miserly attitude in Christian charity. Rockefeller would live faithfully by these demands.

His first job, in 1855, at age sixteen, was as an assistant bookkeeper at a dry goods firm in Cleveland. Rockefeller had a great gift for organization and financial management. Having helped his mother with household management and balancing the family ledger book, Rockefeller’s orientation to detail and affinity for structure suitably served him in his new world of formal employment. Ledger books were almost sacred for Rockefeller; he was not confused by them and understood their meaning at a glance. As long as they were honestly prepared, ledgers were brutally revealing for a business, exposing inefficiencies and uplifting achievement and accomplishment. Rockefeller came to work early and sometimes left as late as 10:00 p.m. (the early mornings and late nights dully lit by whale-oil lamps). Yet he loved his new environment; he was energized and liberated by it, and his self-identity was befittingly established. His attraction to numbers led him to other duties at the firm, including the collection of delinquent accounts, at which he was adept. The experiences in his first job guided the rest of his working days; the early Rockefeller—ardent, efficient, and hard working—had much in common with the later colossus Rockefeller.⁴

Recall that at this time in the United States there was much clamor, opportunity, and struggle to make one’s fortune. The year 1848 saw the advent of the California gold rush—which Mark Twain declared to be the event that brought about a new era of money worship in American society. A decade later, Pennsylvania would be awash in a darker and stickier gold as oil was discovered and another mad rush was spawned. Then the bloody Civil War, beginning in 1861, gave occasion for the opportunistic to profit via weaponry, food and provision supply, and uniforms. Historian Niall Ferguson points out that because of America’s unique history of conquest and westward expansion, the American spirit of entrepreneurship has

* His sense of honesty was questioned later on in his life, especially during antitrust investigations.

always been robust, even and especially after failure. Natural-born risk takers have had favor and encouragement for creating new businesses and not being ruined by past failures.⁵ The Bankruptcy Act of 1841 was the first law of its kind to establish voluntary bankruptcy, a historical shift that helped to bring an end to age-old reprisals such as debtors' prison. Debtors' and creditors' rights were now squarely balanced against each other as never before.⁶ In nineteenth century America, expansion, battle, and fortuity combined to reward those who saw success and risk to be two equal sides of the same coin. The value placed on the growth of commerce, small and large scale, was worth the risks inherent to it. The ability to walk away from debts and start all over again helped to settle the vast American frontier.

Andrew Carnegie, born in Scotland in 1835, some four years before Rockefeller, immigrated with his family to Pittsburgh in 1848. Carnegie was said to be a tireless bundle of energy who worked hard on Americanizing his accent and grammar. His work experience as a teenager and an adult was boundless, from clerking to telegraphy to railroads to bridge building to oil to steel. His is the classic American tale of rags to riches. His mother, Margaret, imparted to her son the unflinching desire to work, to avoid shameful poverty, and the ambition to dominate within the working environment. Carnegie did not marry until he was fifty-one, only months after the death of his beloved and commanding mother.

Carnegie, not unlike many human beings, was beset with public and personal contradictions. His legacy is well known today for many excellent philanthropic pursuits: libraries, music and performance halls, and educational facilities, all still alive and vigorous generations past his death. Yet, his treatment of workers (the deadly Homestead Strike of 1892 as prime example), conniving of associates, and propensity to lie in order to personally profit paint a gloomier portrait of the man.⁷

Jay Gould was diminutive—barely five feet tall—and did not boast of physical strength. His ambitious mind, however, made up for any physical shortcomings. Born in 1836 as the only brother to five older sisters, Gould was on his own by his thirteenth birthday in rural New York State. Like Carnegie, the young Gould was skilled enough to carry out a diverse set of tasks to survive: bookkeeping, surveying, writing, and tanning. Gould suffered periods of overwork throughout his life, which coincided with poor physical health. Upon marriage in 1863 to Helen Miller, the daughter of a prominent New York merchant, Gould bought into a small New York railroad. His fortunes grew from that transaction, yet he suffered a number of financial setbacks, all due to his fearlessness toward risk. More than anything else, Gould was a skilled manipulator and speculator of stocks and bonds—a financial technician who worked in gold, wheat, railroads,

and telegraphy. Bribery was part of his handbook; he had a bigger yacht than J. P. Morgan, but Gould's was not admitted to the New York Yacht Club because of his robber baron reputation.⁸

John Pierpont (J. P.) Morgan, unlike Gould, commanded great respect in various sectors of society. He was not nearly as wealthy as Rockefeller, Carnegie, or Gould; he essentially continued on the vocational path set out by his father, albeit on a much grander scale. Morgan was born in 1837 in Connecticut; unlike his three aforementioned peers, he was connected. His grandfather was a founder of Aetna Insurance Company; his father, Junius Morgan, was a prominent banker, midcentury, working in London. John Pierpont represented his father's firm in New York, and in 1871 J. P. partnered with Anthony Drexel to establish his own firm. By 1895 the banking firm was in his name exclusively, and his reputation was firmly settled nationally as he orchestrated bailouts on behalf of the US government during the gold panic of 1895 and the stock market panic of 1907. (The US Federal Reserve System was established in 1913, in part out of unfavorable reaction to the perceived power that Morgan, a private citizen, held on the national scale.)

Morgan possessed an incredibly intimidating presence. Broad shouldered and fearsome of face, with a large, purple nose (due to rosacea, a skin disease that can result in the enlargement of the nose), Morgan insisted that all his professional portraits be retouched. He was quite capable of putting in twelve- to fifteen-hour workdays, his personal workplace authority matching that of his physical ubiquity. While the three aforementioned peers reveled in the competitive possibilities available to the capitalistically favored, Morgan was weary of the "ruinous destructiveness" characteristic to the market system. Morgan tired of the "bitter, destructive competition" that would lead to "demoralization and ruin" for those involved, who depended upon business success to care for and feed their families.⁹ While he did openly donate to charities, churches, hospitals, and schools, Morgan did not leave a grand legacy of philanthropy. Rockefeller and Carnegie significantly outdistanced him in benevolence.

Rockefeller changed the world not only by his business acumen and monetary accumulation, but by giving the world a new permission. According to historian Charles Morris, before the Civil War, outside the Deep South, Americans had more goods and more food equitably distributed than any other society in the history of the civilized world.¹⁰ Whereas Europe was still defined by staid hierarchy—elite status conveyed by patrimony—and its grandiose cathedrals, America lent status to its citizens by the degree of their labor and acquisition. The pauper was not constrained in the New World as he would have been in the old. Rockefeller,

Carnegie, Gould, and Morgan were the main protagonists of the Gilded Age, an epoch of previously unimagined growth, capital formation, and advancements that would foster further material gains for both privileged and working classes. As to how equitable the distribution of these gains was, Rockefeller and his peers helped to forge a new permission toward grand inequalities also previously unimagined.

Creating the Middle

Throughout history there have been the supremely and emphatically wealthy, living in the midst of the poor. Grand inequalities, of course, were not a novel creation in the new era brought about by Rockefeller and his peers. King Croesus of Lydia (modern-day Turkey) was reputed to be of tremendous wealth; his governance is credited to be the first to make and use coins (sixth century BCE). When he was put to death on a pyre by the invading king of Persia, legend says he cried out three times to Solon, the Greek poet and reformer, who had warned Croesus of the fickleness of wealth.¹¹ Marcus Crassus (115–53 BCE) is said to have been the wealthiest citizen of ancient Rome.* He commanded in the army and traded in slaves and land (he would purchase, on the cheap, sections of Rome as they burned, and then bring in firefighting brigades that would wall off the destruction). Trophies won in battle were another of his pursuits of acquisition; he died, however, in battle against the rival Parthians. Legend has it that his conquerors mockingly poured molten gold down the throat of his corpse to satiate his uncompromising desire for attaining more wealth.¹² The legend, of course, is dubious; yet it communicates a sense of the injustice that exists in some historical literature toward those whose accumulative holdings were almost beyond conceiving.

The travails of the economically poor are not well documented throughout recorded history. It was of much more interest and concern to chronicle the unique, wealthy, and powerful and their affairs, travails, and battles. Extremely wealthy individuals, along with Croesus and Crassus, have been present throughout history: Alan the Red (England, eleventh century), Musa I (Mali/Ghana, fourteenth century), Jacob Fugger (Germany, sixteenth century), Heshen (China, eighteenth century), among others. In the last 250 years, as mercantilism gave way to free trade–based economics, the tally of the exceedingly wealthy has

* Crassus's nickname was "Dives," the same legendary name given to the purposely unnamed wealthy character in the parable of the rich man and Lazarus in chapter 16 of Luke's Gospel in the Christian New Testament.

increased exponentially. Modernizing developments in Britain, Western Europe, and North America beginning in the early 1800s brought about a new era of credit creation and increased money supply. Niall Ferguson maintains that, in part, this financial revolution preceded the Industrial Revolution.¹³

Consequently, the quality of life experienced by a vast majority of earth's inhabitants today (and for the past two hundred years or so) is arguably much better than it ever has been.* Life expectancy, literacy, and food security for the majority have greatly improved. Eradication of certain diseases, increased biological knowledge, and greater understandings of the workings of the physical universe have made certain tasks of life much more manageable. Social gains for women and historically marginalized peoples have enabled many more to experience a fuller and more meaningful existence. And not only that, a new phrase began to be used around the 1850s, distinguishing a new class of people distinct from the privileged and working classes: the middle class.¹⁴ This development preceded the Rockefeller era, yet Rockefeller and his peers helped to exacerbate its growth significantly.

God, Money, and Good

The evolution of Rockefeller's work and leadership in turn creating what would become the world's most powerful corporation is a fascinating study. The young Rockefeller slowly crept toward involvement in the oil craze that started in Titusville, Pennsylvania, in 1860. By 1863 Rockefeller had gotten into the refinery business as "a little side issue" in Cleveland, and by the end of the decade he had bought or squeezed out nearly all of his ample refinery competition in and around Cleveland. As previously mentioned, his ascendancy from that point was practically unimpeded.¹⁵ Rockefeller made his fortune with Standard Oil selling kerosene (for lighting and heating purposes); gasoline would not become a Standard staple until the early 1900s when Rockefeller was essentially retired, his fortune compounding in voluminous holdings of Standard stock. (Edison's improved light bulb, thereby eliminating Standard's oil lamps, was finally practical and inexpensive enough for home use [in turn dependent upon newly built power stations] in the 1890s; and Henry Ford and other early carmakers did not see their new gasoline-powered engines become popular until 1905, thereby making gasoline, a mostly unused by-product of the refining process of oil, a newly significant commodity.)¹⁶

* Excluding, of course, bouts of slavery, child labor, and employment practices where working conditions have been overly harsh or deadly.

Rockefeller's business shrewdness, aided by fortunate timing, was enhanced by a piercing ruthlessness directed toward his competition. As is well documented, Rockefeller used several means, some legal and others not, to enhance his positions and holdings. Secret agreements with railroads for shipping advantages, the intentional placing of other names on subsidiary businesses to hide the fact that they were Standard holdings, and price undercutting actual competitors were the regular business tactics of Rockefeller and his loyal associates.¹⁷ The need to win out over his competitors was paramount for Rockefeller;* the combination of human and divine will to carry out the mission was potent. "I believe the power to make money is a gift from God . . . I believe it is my duty to make money and still more money, and to use the money I make for the good of my fellow man according to the dictates of my conscience," Rockefeller exclaimed to a reporter. This quote helps to understand how Rockefeller was not fazed by the widening income gap that industrialization had brought about—it was all part of God's plan.¹⁸

Rockefeller's God talk was not religious babble or cover-up. He was deeply religious in thought and practice. He and his wife, Cettie, were faithful to the Erie (later changed to Euclid) Avenue Baptist Church, located in downtown Cleveland, for decades. A plain and humble congregation, it was not populated by the well-to-do, save the Rockefellers. Rockefeller taught a Bible class for adults and most likely covered a large portion of the annual budget with his regular offerings.¹⁹

When I was a graduate student in the Twin Cities (Minnesota) area, I joined a few classmates to make summer money working on a painting crew. One job had us painting the exterior of a two-story house in a fairly affluent suburb of St. Paul. Because we were seminary students, we sometimes entered into conversations with our clients about church affiliation and practice. The couple who owned the house was Baptist. Cresting middle age, their kids were grown and out of the house, yet the husband still worked. It was midday and midweek when we finished the painting job, so as we cleaned up, we conversed with the wife, who told us of her and her husband's commitment to God and their local congregation: they both sang in the choir and went to Bible class, and her husband served as an elder. So that we wouldn't get the wrong idea about her husband—God forbid he be a quaggy believer incapable of conquest—she informed us, with the squinted eyes of conviction, that he was the "best damn businessman you'd ever see." We understood: he was really good at making money. Faith in God and making as much money as possible were not oxymoronic for our patrons; it was the exact strain of Rockefeller's creed rearticulated most accurately a century later.

* Rockefeller occasionally overpaid when buying out competitors; attaining greater market share was worth the extra cost.

Rockefeller was, arguably, the best businessman the world had seen, using a strict definition of the term geared toward wealth generation. There is no question that he was also the best philanthropist the world had seen up to that time. He lived up to both parts of his creed, making as much money as possible and redistributing it as divinely commanded. Rockefeller gave away some \$530 million in his lifetime (his son, John D. Rockefeller Jr. eventually gave away the same amount as had the foundation bearing the family name). The University of Chicago, the Johns Hopkins School of Public Hygiene and Public Health, the General Education Board (assisting education in the South, eradicating hookworm, and modernizing agricultural practices), the Rockefeller Institute for Medical Research,* the Rockefeller Foundation, and Spelman College were the main creations and recipients of his benevolence. There, of course, were many more. The development of Rockefeller's humanitarian efforts is one of evolution from parochial charity directed toward individuals to innovative advancement of research and programs, led by experts in their particular fields, affecting broad categories of peoples. A longtime Standard Oil associate and an ordained Baptist minister, Frederick Gates was instrumental in shepherding Rockefeller toward his seasoned views on how best to "make good." Essentially, Gates helped Rockefeller move from reactive benevolence, responding to individual requests, to proactive philanthropy, where greater focus is given to prevention rather than to relief.²⁰

In 1889 Andrew Carnegie published an essay entitled "Wealth" (republished in the United Kingdom as "The Gospel of Wealth"). As previously mentioned, Carnegie dutifully embodied the saint and sinner dual nature congenital to most human beings. In that new era of greater available wealth, Carnegie strongly suggested that wealthy individuals donate large sums of money to worthy causes during their lifetimes so that their heirs would not frivolously waste their inheritances;** this course of action simultaneously allowed for the working classes to share in some economic benefits of the age. (Higher wages, of course, were not at the crux of the Carnegie credo; his steel plant workers routinely put in twelve-hour days, seven days a week.)²¹

Rockefeller was duly impressed with Carnegie's words and acknowledged Carnegie's influences in his own philanthropic efforts. While Rockefeller's devotion to family (he and Cettie had five children, one dying as an infant) would not allow him to abide by the same conviction toward familial inheritance as that of Carnegie, Rockefeller called on fellow tycoons (including Marshall Field

* Ironically, it helped to put quacks, like his father, out of business.

** Carnegie and his wife, Louise Whitfield Carnegie, had one daughter, Margaret. She served for many years as a trustee to the foundation bearing her father's name.

and Philip Armour in Chicago) to follow their philanthropic leads. However, if there was one thing Rockefeller and Gates disapproved of concerning Carnegie's efforts, it was the occasional display of vanity that accompanied his charitable gifts. Rockefeller and Gates wanted their own efforts to be free of any attachment to self-promotion; during his lifetime Rockefeller strongly insisted that any buildings constructed with his money not bear his name. Rockefeller, in his mature philanthropic development, was now mostly interested in getting to the root of problems. "If anything can be done to remove the causes which lead to the existence of beggars, then something deeper and broader and more worthwhile will have been accomplished."²²

Gilded Age Plutocracy, Prosperity, and Poverty

The causes that lead to "the existence of beggars" and the forces creating grand disparities of wealth accumulation have been with us forever; they gained unforeseen momentum and grand sweep, however, when Rockefeller and his peers ruled their day. *Plutocracy* is a term that historically has meant "rule by the wealthy." The ancient Greeks coined the word *ploutos*, meaning "wealth," and *kratos*, meaning "to govern." Our modern-day usage of the term refers to the influence a wealthy minority has over the political arena in a society. It also can be indicated by the (high) concentration of assets accumulated by the wealthiest members in a society. Historian Kevin Phillips identifies the Gilded Age of Rockefeller, Carnegie, Gould, and Morgan as the first of America's plutocratic eras. He quotes the late American political scientist Samuel Huntington to describe the era: "Money becomes evil not when it is used to buy goods but when it is used to buy power . . . economic inequalities become evil when they are translated into political inequalities."²³

When a broad brush is used to summarize early American history, the general perception is that new European arrivals desired to freely express their religious convictions. While there is ample truth in that statement, it doesn't tell the whole story. Particular colonies had religious allegiances (for example, Maryland was Catholic and Massachusetts was Puritan), and there was plenty of religious persecution to go around. Eventually, the desire for free religious expression was guaranteed in the Bill of Rights, under the First Amendment of the United States Constitution, where government is prohibited from establishing a state religion. Incidentally, a citizen's right to express no religion is also assumed in the First Amendment. Often overlooked today is that many of the pioneers arriving to the colonies, and later to the newly founded country, *sought*

escape from the economically stratified societies of their aristocratic European homelands. Nobility, heredity, and tight class strictures were prevalent in their native lands; “America” somehow promised opportunity and egalitarianism. Historian Morris says that “America was the only country where ‘worker’ was a job description rather than a badge of class.”²⁴ Outside the urbanized areas of New York, Philadelphia, and Boston, and the South with its plantation districts, it was generally true that American society avoided aristocratic European stratification with its own republican (rule by the people) institutions. Eighty percent of the population (in the 1830s) lived outside the big urban areas and the slave-holding regions; thus, the wealth concentration of the urban and plantation areas affected relatively fewer people than might be expected. The rich-poor gap was significantly less pronounced in the early American heartland where the majority resided.²⁵

But this reality would soon change as the large cities continued to grow and as wealth creation and economic discrepancies were amplified. In 1850 the United States had some 150 to 200 millionaires; by the turn of the century there were 4,500.²⁶ The incredible growth and development of American manufacturing, ingenuity, and mechanization in the last half of the nineteenth century is unparalleled. It wasn’t all hard work, sweat, and honest labor, however. The history of the railroad industry’s rise is infamously peppered with graft, greed, and swindle—including government coaction and largesse. Even though the term itself was used rarely at the time, *social Darwinism* was alive and in the air.* The spirit of *laissez-faire* (“let it be”) dominated economics and sociology. The progress of child labor laws, which had their origins in the industrial era, stalled during the last quarter of the nineteenth century. Government was less active interfering on the behalf of the downtrodden. “The survival of the fittest” held sway in a number of human relationships—labor, social, economic.²⁷

The US Senate, at this time, was chosen by state legislatures. It consisted, as it does today, mostly of those who were financially well-to-do. Nelson Aldrich, who served thirty years for the state of Rhode Island, married into wealth and while in office amassed a fortune. He dutifully served the trusts (his daughter Abby married John Rockefeller Jr. in 1901), built a ninety-nine room chateau on seventy-five acres of prime shore along Narragansett Bay, and sailed a 200-foot yacht.** As his power grew and his critics took notice, he stood by his business and political credo “Deny nothing, explain nothing.”²⁸ The journalist David Graham Phillips exposed some of Aldrich’s unspoken corruptions and those of

* Darwin’s *On the Origin of Species* was published in 1860. The term *social Darwinism* was first used in the late 1870s.

** Oil, sugar, steel, meatpacking, and tobacco were the prominent trusts.

his colleagues; not long thereafter the Seventeenth Amendment was ratified and senators were then elected directly by popular vote.

Phillips's exposé of corruption in high places was, of course, not an isolated work. Before Ida Tarbell famously exposed some of Rockefeller's merciless methods for profit, he was publically blasted by the writer Henry Demarest Lloyd, who called Rockefeller the "czar of plutocracy." Lloyd was a singular character: a preacher's son who married into riches; a lawyer, journalist, unabashed campaigner for social justice, and political activist called the "millionaire socialist." Lloyd occasionally was vulnerable to hyperbole in some of his rants, but he typically spoke with perceptive clarity.²⁹ "Liberty produces wealth, and wealth destroys liberty" from his book *Wealth Against Commonwealth* still commands contemplation and reflection from those who earnestly desire capitalism to do its utilitarian best.

Lloyd was among the first wave of the muckraking journalists and reformers of the late nineteenth and early twentieth centuries, reacting to the conditions of increasing disparity between rich and poor. Jacob Riis, documenting slum conditions in New York City, and Ida Wells, chronicling lynchings of African Americans, also used their writing skills to implement change in American society. Tarbell, Upton Sinclair, Frank Norris, Lincoln Steffens, Joseph Pulitzer, and others also raised protestations that unveiled to the public the new era of ruinous excess that suddenly had become status quo. The open and thriving economic atmosphere in an era when personal income was yet not taxed, coupled with the existence of few but nascent regulations upon business,* made for an environment that rewarded the aggressively avaricious (and the honest). Save for Union veterans from the Civil War, the American populace had no social safety nets; systems for "old age" pensions in Germany and Great Britain were embryonic.³⁰ Labor unions, in existence from the beginnings of the industrial era, were still in their younger stages of development, localized, and without much legal support. Economic liberty was good, but it needed supervision—desperately. That the revelations of the muckrakers and reformers were widely popular is no surprise; they struck a chord with the experience and suspicions of a public that quite often was on the short end of the bargain.

The underside of progress—poverty, disability, early death—was experienced by many of the first generation immigrants (and native-born Americans leaving rural areas seeking work) living in the now burgeoning urban areas of the Northeast

* The Sherman Antitrust Act of 1890, although widely popular upon passage, was not put into practice until the administration of Theodore Roosevelt, 1901-09.

and Midwest. The largest migration the world had known was in progress. From 1870 to 1900 the population of the United States almost doubled; the 1900 census records more than 76 million residents.³¹ Cheap labor was plentiful and helped fuel the continued growth of factories and industries. It was a time of terrible upheaval for American families and communities; homelessness increased significantly, and multitudes of children were orphaned or half-orphaned as both husbands and wives abandoned their families. Yes, upward mobility was achieved by immigrants (as textbook surveys on American history convey to schoolchildren), but downward mobility was a most common reality as well—whether one was old, young, rich, or poor was no cause for immunity.³²

While vast numbers suffered, many prospered. For residents and immigrants, but less so for recently freed slaves and their offspring, the societal roots of opportunism and egalitarianism were influential; they helped to foster the unique American talents of discovery, inventiveness, and improvement. Unsettled lands, available natural resources, and a common obsession to get ahead (sometimes by whatever means necessary) made for a brave new world that, in terms of production and consumption, was now pacing itself ahead of the old world of Europe.

Consumerism started in earnest in America in the 1870s. John Wanamaker's Grand Depot opened in Philadelphia in 1876. A converted railway station, it was arguably America's first department store. Seventy thousand people attended its grand opening—the majority of these were women as was the sales staff that attended them. Clothing, fabrics, sheets, pillowcases, household items, toiletries, and perfumes were showcased. Wanamaker had his vision set on the class of consumer newly coming to the fore in American society—the middle class. He guaranteed a cash refund on returns and catered to their values of thrift and austerity. Wanamaker's new conception for consumption anticipated a wave that has hardly abated since: consumer wants seemingly without limit.³³

Chicagoan Aaron Montgomery Ward's catalog "Wish Book"—150 pages long by 1876—was a godsend to rural folk living anywhere within the tentacle reaches of the railroads emanating from Chicago; they could shop in the city, as it were, without having to leave their rural outposts. Ward also promised his customers satisfaction or their money returned, which endeared him to a skeptical clientele that bought from his business sight unseen. Richard Sears and Alvah Roebuck soon followed in Ward's wake with their own Chicago-based catalog of a "vast department store boiled down." The mail-order business was another unique and effective American innovation.³⁴

“History had never seen an explosion of new products like that in the America of the 1880s and 1890s,” writes historian Morris. The branding of national food products from meat (Armour) to cereal (Kellogg) to beer (Pabst) to flour (Pillsbury) to soda (Coca-Cola) coincided with the advent of national advertising. Other products, now more readily available, made life simpler as the turn of the century neared: Bissell carpet sweepers, Gillette safety razors, Levi work jeans, rubber boots, and zippers. Yet other products, newly available to the middle classes because of mass production, such as bicycles, sewing machines, and pianos, made life grander and less constricted. Middle-class parents, instead of sending their kids to work in the second industrial era’s factories, now kept them in school. Leisure time was a new reality for quantities of youth, who would spend nickels at the corner soda fountain drugstore where they listened to new gramophone proto-jukeboxes, thanks again to the availability of electricity.* Not only were the privileged classes clamoring for and obtaining more things, but so were the middle classes, including their children.³⁵

The proliferation of consumer goods and products made life better in many ways, but there was an accompanying downside: anxiety.³⁶ The tremendous growth in the complexity of American society—the highest of the upper classes attaining heretofore unimagined quantities of wealth, the creation and establishment of middle classes, and the abject conditions of squalor endured by many of the immigrant and urban poor—made for a population vulnerable to the worries of status and class: struggling for position and fighting to maintain it. Competition is good and can tend to bring out the best, but too much of it can crush and destroy. And grand inequalities are antithetical to the maintenance and progression of the common good.

It was precisely at this Gilded Age crest that Thorstein Veblen, an American economist and sociologist, wrote his yet influential book *The Theory of the Leisure Class* (1899). He coined the phrase “conspicuous consumption” to describe spending by the richest Americans to build up their own prestige and image. For Veblen, this wasn’t progress—it was a return to the aristocracy and decadence of stratified Europe.³⁷ Furthermore, it helped to strengthen and perpetuate an atmosphere where people tended to *compare up* rather than down; the material ideal for one to attain resided in the class above. Certainly this desire did and still does inspire positive motivation for upward mobility, but it can also feed a consumerist urge that narrowly defines life satisfaction by the accumulation of material goods. Positional goods (yesterday’s phonograph, today’s iPhone) have their own practical uses and values, but they can also assign prestige and

* The availability of residential electricity would not be standard in American homes until the 1920s.

image relative to time and place, and unintentionally, anxiety, if they are used to differentiate oneself from others.

Historian Sven Beckert tells the story of a monied Gilded Age couple whose anxiety (and fear) compelled them to leave the country after their fancy costume ball caused a public outcry against their opulence. Lawyer Bradley Martin and his wife, Cornelia, hosted J. P. Morgan, John Jacob Astor IV, and other influential guests in February 1897 at the fairly new, thirteen-story Waldorf Hotel in New York City. The guests were instructed to dress as European nobility, kings and queens—monarchists, aristocrats, and plutocrats—on parade. Apprehensive even before the gala started, they hired Pinkerton guards to surround the hotel to protect themselves and their guests against “men with socialistic tendencies.” The tension of projecting an aura of upper-class privilege in a society yet nominally egalitarian was too much for the Martins; after the party, they left to live in England, evacuating to escape further conflict and criticism. England was the logical choice for the Martins; they owned another home there.³⁸

A generation or so before Rockefeller, Stephen Girard and John Astor were the wealthiest Americans. Historian Kevin Phillips has charted the fortunes of America’s wealthiest as compared to the median family income at particular points in time. Girard (1830) and Astor (1848) held fortunes 17,000 to 1 and 50,000 to 1 greater, respectively, than the median family income of those particular years. Rockefeller’s ratio, in 1912, was an astounding 1,250,000 to 1. (According to Phillips, only Bill Gates’s ratio of 1,416,000 to 1, in 1999, has surpassed Rockefeller’s.)³⁹ The time had come when too much was enough, with the common good under attack like never before. The muckrakers and reformers in their continual calls for change enlisted the middle classes and others to their crusade, and a shared cause was created in what we now call the Progressive movement.

The Federal Income Tax: Government versus Big Business

The *Mayflower*, blown off course to the north by the onset of Atlantic Ocean winter weather in 1620, dropped anchor in Cape Cod in November. The arduous passage followed by a harsh winter killed off half of the 102 passengers; “God’s good providence” (the description of *Mayflower* leader Edward Winslow), in the form of stashes of maize found in nearby Indian habitations and burial sites temporarily abandoned for the winter season ensured survival for the rest. Whether one calls it stealing or survival, the unintended generosity of the indigenous peoples saved

the Pilgrims during their first winter on new land.⁴⁰ These pilgrims, adherents to the Church of England and King James, were Puritan separatists seeking religious freedom not from the crown but from the dominant political group within their common church (the separatists wanted less Roman Catholic influence in the Church of England).^{*} Upon their arrival, the journeyers signed a covenant that was to serve as a guide for their communal life. Summarized, it said they voyaged to new land to establish “a civil body politic” including “just and equal laws . . . for the general good of the colony.” The Mayflower Compact was signed as the ship harbored offshore of today’s Provincetown, Massachusetts; the general good was the common good.

On August 20, 1907, President Theodore Roosevelt was invited to Provincetown to lay the cornerstone for the Pilgrim Monument, commemorating the *Mayflower* Pilgrims’ first landing in the New World. This was the occasion on which the president laid blame for the country’s financial woes upon “malefactors of great wealth.” In the buildup to the Panic of 1907, Roosevelt drew a line between republicanism and plutocracy: “I regard this contest as one to determine who shall rule this free country—the people through their governmental agents, or a few ruthless and domineering men whose wealth makes them peculiarly formidable because they hide behind the breastworks of corporate organization.”⁴¹ The Progressive movement, ongoing for some two decades by this point, was now hitting its stride; the pendulum was swinging back in the other direction as societal change proliferated.

The movement was a culmination of various forces: civic, religious, and scientific. Women’s suffrage, temperance, governmental reform, and medical and engineering modernization were all Progressive agenda items, as was the rejection of surfeit advantage and profit for the excessively well-to-do, which the socially Darwinist Gilded Age had produced.

The goals of the Progressive movement were in line with what had been agreed upon by the Pilgrim antecedents some three hundred years earlier: just and equal opportunity for the *common good*. (Certainly, some achievements of the era were overreaching and resulted in unintended complications, the clearest example being Prohibition.) Again, while the aspect of religious freedom is continually (and correctly) emphasized in review of early American development, the aspect of freedom from economic tyranny must also be equally remembered and underscored. A great measure of the Progressive movement was a recovery of this egalitarian aspect of the American way.

^{*} King Henry VIII, in 1534, established the Church of England separate from the Roman Catholic Church as the result of Pope Clement VII refusing to annul the first of his eventual six marriages.

Teddy Roosevelt himself was among the American citizens of his day who had significant wealth. That distinctiveness, however, did not keep him from seeing society with a sense of parity. And while his rhetoric as a politician was often fiercer than his actions, he was a committed reformist. He was obsessed with fairness; his concept of “square deal” was evident in his efforts to head off conflict between labor and ownership, to forge agreements with opponents within his own political party, and to protect the welfare of society and nature against the machinations of big business. In 1903, two years into his presidency, Roosevelt was in the midst of a late spring tour of Rocky Mountain country when he arrived in Butte, Montana, and found himself thrust into the middle of a labor dispute at the mining city. In a memorable speech, Roosevelt prevailed upon the warring sides to work out their differences, using the two words—square deal—that he would subsequently use again and again. He left the copper and silver hub with three gifts: a silvered-copper vase and a silver loving cup from the belligerents, and a pair of silver scales of justice from the minority blacks who also worked the mines. Roosevelt cherished the silver scales; they beautifully symbolized his doctrine of square deal and reminded him of the place where he had coined the phrase that would endure as one of his principal legacies.⁴²

Roosevelt drew on his sense of balance and fairness as he presided over a country in the midst of political storms brought about by the abuses and inequalities of the day. Socialism, anarchism, and other political options were bandied about by reputable principals (DuBois, Debs, Goldman); Roosevelt was most interested in fixing the excesses of capitalism for its own good, which, among other things, provided a hedge against political extremism.

As a younger man serving in the New York State legislature, Roosevelt exhibited reformist tendencies, but at times they resulted from less charitable considerations. In 1882 twenty-five Democratic members of Irish ancestry served on the other side of the aisle from Roosevelt and his fellow Republicans. One of them, “Big John” McManus, was particularly distasteful to Roosevelt. McManus was a saloon owner, and saloons often served as the pivot point for urban political machines. The politically and socially corrupt culture Roosevelt and his colleagues witnessed in the saloons was antithetical to their reformist tendencies and more refined tastes. Roosevelt described McManus as “unutterably coarse and low,” and once chased off the larger man, threatening to “kick [him] in the balls.”⁴³ The future “trust buster” was obviously adept at busting more than trusts.

For those of us living in these post-Prohibition generations, we might catch ourselves wondering how in the world did the Eighteenth Amendment see the light of day, much less hang on for some fourteen years? Historian Daniel Okrent

explains that a number of forces gathered in the first two decades of the 1900s, perfect storm–style, to bring about Prohibition: the temperance movement, women’s suffrage, growing momentum for a federal income tax, racism, and World War I.⁴⁴ Teddy Roosevelt was not a “dry,” but he was a Progressive. Progressives saw what alcohol (much of it paid for and quaffed at saloons) did to workers and their families; it destroyed them and put the lives of their families in peril and into poverty. “When the laboring man works eight hours and spends none of his time at the saloon, he will save up more money and better his economic status,” wrote renowned Kansas newspaper editor William Allen White. “When the workingman spends his evenings at home or at the library, and has good books and a gramophone and an automobile, society will be better off.”⁴⁵ White, an early twentieth-century Progressive to the core, spoke for millions of his fellow Americans who wanted a better society (on their own terms, of course). Prohibition started in 1919. The pendulum, slow and steady, continued to swing in a new direction.

For many years the women’s suffrage movement stood firmly upon its own merits and goals, yet it was buttressed significantly, after the turn of the century, by the temperance movement. Many women (and men) wanted saloons to be regulated if not closed down entirely, and they were ready to vote for politicians who agreed with them. Besides hoping to reduce family and social destructiveness caused by alcohol,* they shared other common goals as well: basic improvements in health and hygiene, reductions in crime, and reduction in prison and poorhouse populations. A pragmatic synergy emerged between the two movements that helped carry each to approved legal status.

The emergence of the federal income tax (Sixteenth Amendment, 1913) paved the way for the government to eventually shut down the fifth largest industry in the land: the producers of beer, wine, and hard liquor. The taxes on their products accounted for close to 30 percent of all federal revenue in 1910.⁴⁶ Yet the success and efficacy of the new tax revenue stream cleared the way for Prohibition, even with the country’s foray into World War I. The Progressives were having their day, and their reach was extensive.

When Democrat Woodrow Wilson, a reformist in the spirit of Teddy Roosevelt, was into the second term of his presidency, the country’s approaching entry into World War I necessitated further advancement of the new tax code. The new federal income tax was highly progressive; in 1918 only 15 percent of

* The Ku Klux Klan was also in favor of Prohibition, as were most southern states. That the despised black man could no longer procure alcohol meant fewer abuses and rapes of white women, according to their point of view.

American families paid personal federal taxes, with the wealthiest 1 percent paying 80 percent of all revenues collected. Economic historian W. Elliot Brownlee claims that Wilson and his Treasury Secretary, William McAdoo, “embraced taxation as an important means to achieve social justice according to the humanistic ideals of the early republic.” That meant taxing the very wealthy first and foremost, since they had the “ability to pay”; it was Wilson’s way of guiding the country on a middle course between socialism and unmediated capitalism.⁴⁷ Even so, the social milieu continued to be one where alternative political and economic options were being espoused; Wilson, like Roosevelt before him, strove to move the country toward a capitalist, shared common good that would help mitigate the forces of political extremism.

The wealthiest Americans—business leaders especially—responded to the revised tax code with outrage. They fought government’s growth (a result of the power and implementation of taxation) and the accompanying potential to restore and keep alive the egalitarian ideals of the society’s earlier days. At this point in the country’s political history, the Democratic Party had a strong tradition of representing the disadvantaged, exhibiting hostility to special privilege (as represented by accumulated wealth) and opposition to taxation based on consumption. Republicans, on the other hand, championed reduced taxes and called for less government interference in business—and rode those ideals to clear-cut victories in the 1918 elections.⁴⁸ Two years later, Republican Warren Harding was elected to the nation’s highest office and Andrew Mellon, one of the wealthiest of Americans, was appointed secretary of the treasury. This change of leadership, after twenty years of Progressive era political power, brought about significant revisions. Mellon advocated that reduced taxes, especially for the wealthy and corporations, were needed to further economic expansion and increase prosperity.⁴⁹

He was right—for the wealthiest of Americans. Tax rates fell throughout the 1920s, and the wealth gap between the very richest and the rest of Americans grew exponentially.⁵⁰ Plutocracy was reborn; a generation after it had crested and was felled by Progressivism, it was back. Historian Frederick Lewis Allen had a special name for the period of 1923–1929: “the seven fat years.”⁵¹ He saw Mellon as the dominant figure of that day; banker and industrialist, Mellon held the post of treasury secretary from 1921 to 1932. Only a loyal family member, expecting a choice inheritance, could have claimed that Mellon was not guilty of conflict of interest. Mellon was the third wealthiest American after Rockefeller and Henry Ford.⁵² In January 1932 impeachment hearings were held against Mellon; he was accused of corruption, granting illegal tax refunds, and favoring his own business

interests in Treasury decisions. He resigned the very next month, before a vote was taken on the proceedings.⁵³

“Throughout the seven fat years, business—and especially financial business—was king. The overwhelming majority of the American people believed with increasing certainty that business men knew better than anybody else what was good for the country, and that government had better keep its hands off their affairs and thus permit economic nature to take its course.”⁵⁴ These are the words of Allen, written in 1935 from the other side of the Great Crash, which had started in October 1929. Reading Allen today, on the other side of the financial blowout of 2008, is like reading critical commentary on our own time. Allen talks about numerous issues we are currently very familiar with: national and state capitals thick with lobbyists advocating support for bills to increase their own profits by restricting competitors; publically appointed regulators who have little interest in enforcement; newspapers with friendly attitudes toward business and finance executives; and the adulation of Wall Street by political and business leaders.⁵⁵

The emergence of Wall Street as the preeminent financial district in the country (and later to rival London) dates back to the late 1860s and early 1870s. Private banks, trust companies, and brokerage firms proliferated in the years immediately following the resolution of the Civil War. Life insurance business burgeoned as well. In the 1880s and 1890s, a number of industrial and business titans, including Rockefeller, Armour, and Carnegie, moved their headquarters to Manhattan.⁵⁶ By the turn of the century, J. P. Morgan’s buyout of Carnegie Steel served as the bellwether merger transaction among hundreds in the ten years between 1895 and 1904, financed in large measure by Wall Street. The panic of 1907 notwithstanding, the number of individual investors from 1900 to 1910 using the exchanges and firms of Wall Street almost doubled, growing from 4.4 million to 7.4 million.⁵⁷ Wall Street was ascendant, but its growth and popularity attracted the beginnings of a watchful eye from Washington. Rockefeller had to answer to a federal subpoena in 1907, the Supreme Court ordered the monopolistic trusts of Standard Oil and American Tobacco to break up in 1911, and Morgan sat before the Pujos Committee that had been charged with investigating the money trusts in 1912. The struggle was on—who determined and controlled the nation’s present movements and future destinies: corporate big business conglomerated in Manhattan or the federal government?

Establishing a permanent federal income tax was, in part, the government’s way of wresting control over big business. There had been income tax collection previously in the country’s history, during the Civil War, but it was phased out a few years after the war ended. Property had been taxed, without cessation, since

the colonial era. In addition to property taxes, revenues principally came from consumption: excise taxes on domestic items (alcohol, for example) and tariffs on imported goods. Part of the Progressive era philosophy was that consumption taxes hurt the poor and favored the wealthy; an income tax—especially a progressive one (the greater the income the greater the tax rate) focused on the wealthy’s ability to pay—would favor the middle and lower classes. Furthermore, a progressive federal income tax would punish and discourage monopolistic power and recover the egalitarian values of the early republic.⁵⁸

The Revenue Act of 1916 imposed increased personal and corporate income taxes, excess business profits tax, and the country’s first federally imposed estate tax.* President Wilson’s infamous overreach prior to the midterm elections of 1918 (essentially, “Vote in a Democratic majority in both houses or Germany is aided”) backfired, and a Republican majority was achieved in both chambers of Congress. The end of World War I, coming after the elections in November 1918, added to the momentum that eventually brought the Progressive era to its end. The war, which lasted four years, required only a year and a half of US military involvement. US financial involvement, on the other hand, absolutely crucial to Allied victory, was unequivocal from beginning to end. While much of Europe laid waste and in need of renovation, the United States’ homeland was unscathed and its financial coffers, from loans privately and publically made during the war to Europe, were overflowing. Among the United States, France, Germany, and the United Kingdom, the United States held some 75 percent of aggregate gold reserves, more than double the amount before the war. Working out debt payments and reparations agreements, even with or, better, *because of* the Treaty of Versailles, was laborious and slow. In 1922 Andrew Mellon led a newly appointed World War Foreign Debt Commission, deputized by the US Congress to play hardball with the Europeans. Newspapers in Europe began to call Uncle Sam by a new name: Uncle Shylock. Andrew Bonar Law, British prime minister who lost two of his sons in the war, was incensed at the American rigidity and accused the war profiteers of worshiping “God Almighty Dollar.”⁵⁹

The Raging Bull of the 1920s: The Rich Get Richer

As previously mentioned, Mark Twain called the California gold rush the watershed moment in American history, when the pursuit of wealth became the newly ordained credo of the land. The following words, written primarily

* Following the reasoning of no less than Thomas Jefferson, progressive estate taxes were enacted as a way for the “abolition of hereditary distinctions and privileges” (Brownlee, 48).

about the notoriously corrupt New York politician “Boss” Tweed, indict a society moving farther away from its egalitarian origins.

What is the chief end of man?—to get rich. In what way?—dishonestly if we can; honestly if we must. Who is God, the one only and true? Money is God. Gold and Greenbacks and Stock—father, son, and the ghost of same, three persons in one; these are the true and only God, mighty and supreme . . . ⁶⁰

Twain, of course, was not atheistic toward the religious pursuit he describes. His own financial foibles, including bankruptcy, however, didn’t spoil his pejorative evaluation of the developing spirit of the nation: the “pursuit of happiness” was more and more related to mammon, its pursuit and procurement.

While the Gilded Age saw a relative few live out and attain the credo, the 1920s witnessed to a movement that, although secular, was not unlike the Great Awakening revivals that had earlier swept the colonies and country. Within the money trust were the priests and prophets of the movement, New York City was the holy ground of the sacred pursuit, and Wall Street was the inner sanctum. We already saw the prolific increase of participants in Wall Street–based investment (or “speculation,” for dissenters) in the ’20s; one of the best-selling books (nonfiction) of the decade, *The Man Nobody Knows*, describes Jesus as a business genius who conquered the world with twelve men of questionable business acumen. Bruce Barton, the author, was an advertising executive. As had happened before in the history of this unique land and people, religion was yoked to business success and used as evidence that God was looking down on the proceedings with not only guidance but also approval.

For some, Wall Street’s aura (as if religious) began to rival that of the church’s (US church attendance waned in the 1920s),⁶¹ as it gave adherents the assurance of confidence and control in the face of an uncertain future. The beneficent stock market would provide for the young and the elderly, and it would abolish the need for charity and end poverty. The promised land was within reach; God’s plan was destined to be fulfilled. For a civilization dedicated to doing business—one (unlike certain European countries) that lacked a royal court, an established church, and staid hierarchies—the stock market stood over the landscape as the steeple calling and gathering the faithful to the temple in devoted adulation. To not be bullish on America’s ascending market was akin to burning the flag; good Americans believed in the market and prosperity was the payoff.⁶²

One gets the sense that this first ride of Wall Street's bonanza absolutely intoxicated those garnering the previously unrealized gains. The phrase *playing the market* comes from the 1920s; the stock market was now accessible to regular folk, as were the statistics of the national pastime. Understanding how a good baseball team worked by the numbers—pitchers having low ERAs, batters having high averages, and fielders having low error percentages—was akin to being able to manipulate (now no longer frowned upon) the market. “Management science,” a product of the second industrial era, furnished the impression of mathematical sophistication to speculation, nay *investment*, in the stock market. “Players” were now encouraged to assess the worth of their holdings, not only on current book value but also on their prospects for future earnings.⁶³ The ticker tape parade, celebratory and American to the core, originated in New York—using the paper output from the Wall Street machines that printed out the joyous numbers signifying victory and prosperity.

The prosperity of the 1920s was real; one part of it was well earned (due to American ingenuity, inventiveness, and increased productivity) and benefited American workers: some larger corporations initiated pension, stock ownership, and profit-sharing plans for their employees.⁶⁴ Another part of the prosperity was simply good timing (the events of World War I shifting wealth to the United States from Europe). Yet another part needs to be added into the mix: overreach. Historian Steve Fraser describes three periods in American political history as moments of “crony capitalism”: (1) the Gilded Age, (2) the 1920s, and (3) the period that started in the 1990s and continued on into the new century.

The 1920s was that . . . era during which the government bent its efforts to serve the narrowest interests of the business classes, and especially its peak institutions. Crony capitalism implied more than mere corruption; or rather it raised corruption to the level of state policy, to a form of extra-legal mercantilism in which one could no longer easily tell the difference between the representation of a political constituency and the servicing of a corporate client.⁶⁵

The Mellon tax cuts for the wealthy, easy credit (similar to the boom era of the 1990s–2000s), and increased consumption all contributed to inflate the economic bubble. Not all Americans were sharing in the prosperity, however. Worker wages, incredibly, in 1927–29 were only slightly higher than they were in 1919–20. Nearly all the increased profits—from efficiencies, mergers, and amplified productivity—were enriching the owner classes and stock market participants. For decades Wall Street had experienced the same rate of growth as the rest of the

economy; now the Street was outpacing the gross national product by leaps and bounds. The raging bull market saw the Dow Jones average quadruple during the 1920s.⁶⁶

Some Americans used access to easier credit (installment plans, mostly) to purchase products: cars, radios, electric irons, vacuum cleaners, washing machines, refrigerators. Other Americans were left out, however, and missed the rising tide entirely. One-fifth of the nation's citizens—many of those living in the South, in urban and industrial ghettos, in mining regions, and in some rural farming areas—lived in contemptible conditions. Poverty was just as rampant as prosperity. Stuart Chase's 1929 critique of the era, *Prosperity: Fact or Myth*, published just as the stock market began its descent, analyzed how the rising worker productivity of the decade, due in part to elimination of certain jobs, overrewarded the wealthy. "The dictators of destiny," according to Chase, were the businessmen of the 1920s. They replaced "the statesman, the priest and the philosopher as the creator of standards of ethics and behavior."⁶⁷ The true religion of the land—commerce—was pushing other venerations to the side. But the god that brightly offered prosperity in one hand had a dark offering in the other. The setup for the Great Crash was for the most part in place: speculative excesses carried out by the wealthy, and a greater supply of newly produced goods than underpaid Americans could afford in the long run.⁶⁸ Starting from the artificial heights attained by the end of the decade, the collapse would have significant downward momentum.

The Dow Jones average reached 381 in September 1929. By July 1932, it bottomed to 41. The overheated and top-heavy economy finally bubbled over and crashed. The fears a very few had about excess speculation in stocks, commodities, and real estate were finally and unfortunately realized. The era of New Economics, where stock prices had reached "what looks like a permanently high plateau," according to Yale economics professor Irving Fisher, turned out to be a complete sham. "Too much"—tax cuts for the wealthy, goods purchased on easy money by regular Americans, and speculation by Wall Street—was simply not sustainable. At the Crash, the wealthiest 1 percent of Americans had some 40 percent of overall US wealth, including 83 percent of the liquid wealth; and the top one-third of that 1 percent—40,000 people out of a national population of 120 million—held 30 percent of all U.S. savings. These figures of gross inequality would go unmatched for seven decades.⁶⁹

New Permission

“Just a little bit more,” whether actually verbalized by Rockefeller, well describes a strong social imprint in the United States vibrant since the turn of the twentieth century. The economic crashes that started in 1929 and 2008 have multiple commonalities, the most crucial being the excess trust, idolization, and pursuit of wealth. We all need money to get by—but when money becomes an end in itself, the common good, somehow, is diminished.

Rockefeller and those others who accumulated the vast sums of wealth never before realized in the maturing and developing society gave a *new permission* to leave the egalitarian foundations of American society behind. The strain of American thought that believed society was better off through the pursuit of individual gains, a society of the sum of individual goods, was further established, but with an important enhancement. The new permission further bolstered an idea that persists strongly in our day: great accumulations of wealth will eventually make all members of the society prosperous. Of course, debates about wealth distributions are age-old, but the new permission from the Gilded Age gave accumulation a renewed legitimacy. Unimaginable sums of wealth held by an individual were no longer an embarrassment or something to conceal; they were validation and proof of the virtues—hard work, efficiency, intelligence—now recognized as foundational to the world’s leader of commerce, the United States of America.

But how much of a good thing is too much?