

Commentary

Title:

"Everything Wrong withhe Economic Polices of Theodore Roosevett

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Through executive orders, "crises," and quick power grabs, Theodore Roosevelt transformed the American presidency. A coal strike in Pennsylvania became the first "crisis" that Roosevelt used to increase executive power. Coal miners with the United Mine Workers union went on strike in 1902 for higher wages. When the mine owners refused the union demands, Roosevelt intervened and insisted they negotiate. In fact, he threatened to send in federal troops to run the mines if an agreement wasn't reached. Roosevelt's threat was clearly unconstitutional and his cabinet told him that. But the mine owners were bluffed; they gave the miners a 10% raise and they all went back to work.

Roosevelt invented a "stewardship theory" of the presidency to defend his bold actions. "Occasionally great national crises arise," Roosevelt argued, "which call for immediate and vigorous executive action, and that in such cases it is the duty of the President to act upon the theory that he is the steward of the people, and that the proper attitude for him to take is that he is bound to assume that he has the legal right to do whatever the needs of the people demand, unless the Constitution or the laws explicitly forbid him to do it." Of course, in the coal strike, Roosevelt's actions were unconstitutional. But since the case was resolved before the courts could rule on it, Roosevelt escaped censure.

Roosevelt continued to expand executive power on economic issues. Unfortunately, he had almost no training and no helpful economic or business experiences to guide him. His parents bought him what he needed, gave him money to spend, and paid for his education at Harvard and at Columbia Law School. At age 25, when his young wife died, T.R. left New York for North Dakota to become a cowboy and rancher. He bought land and cattle, but in less than three years he had squandered most of his family's fortune. He didn't have the savvy or the attention to detail to buy and sell successfully.²

Once in politics, Roosevelt made even worse investments—this time with taxpayers' money. Ieîhc1în@bNÔC6Ã\$\$BBA£2812CMRBEC.CMÓBBET1.CB2.BÃÃ2ÂSÃce in the presidency, Roose

Not surprisingly, from 1870 to 1900, the costs for shipping on railroads had plummeted by almost two-thirds. ⁵

commerce." Roosevelt was thrilled with the result and bragged that the Northern Securities case gave "complete control to the National Government over big corporations engaged in interstate business." At last, Roosevelt's view of morality, not the natural right to develop private property, would direct the future of railroading in America.

With the power to regulate the size of corporations now centered in the executive branch, Roosevelt moved to control the power to set the rates railroads could charge. In this battle, Roosevelt's tool would be the Interstate Commerce Commission (ICC), a small federal agency created in 1887 to gather information about railroads and prevent abuses. Roosevelt, with full support of the bureaucrats running the ICC, hatched a plan to give the ICC new power to regulate railroad's rates. He openly campaigned for congressmen to pass the Hepburn Act, which would enlarge the staff at the ICC and give it authority to set "just and reasonable" rail rates. ¹⁰

Railroad owners were appalled. They argued that their ever falling rates were already "just and reasonable" because shippers were using railroads more than ever to send larger amounts of oil, food, clothing, and lumber (for houses) to eager homeowners all over the country. In any case, what would a vague term like "just and reasonable" mean to the ICC members, who had no experience operating railroads and making the economic calculations necessary to cut costs and still make profits? But the Hepburn Act did become law in 1906. And it, like the Sherman Antitrust Act, became another vague law that would be defined in a way to be used against the railroads.

Since the Hepburn Act demanded that railroads set "just and reasonable rates," the seven members of the ICC concluded that they needed to thoroughly investigate the financial records of the railroads. Therefore, in 1913 the ICC created the Bureau of Valuation, which hired a massive number of accountants to examine any and all financial records of railroads and their property. After almost twenty years of investigation, at the cost of hundreds of millions of dollars, the Bureau of Valuation concluded that railroads had in fact been charging reasonable rates the whole time. Put another way, the Bureau of Valuation spent an amount greater than 20% of the entire U.S. national debt in the year the Bureau was created to discover that railroad operators were using their own private property in a sensible manner.¹¹

True, the Bureau of Valuation was created after Roosevelt left office, but in a regulatory agency that he had first empowered. The consequences of his activist presidency were often like that. His military interventions in Panama and the Dominican Republic were precedents for interventions later in the 1900s in Korea, Vietnam, and Iraq. Roosevelt supported a progressive income tax because he thought the wealth of rich people was not entitled to equal protection of the law. Such wealth, "by the mere fact of its size," Roosevelt believed, made it subject to a higher rate of taxation. But just thirty-one years after the income tax became law, the U.S. had a 94% tax on all income over \$200,000. The Hepburn Act of 1906, a landmark law that greatly empowered the federal government, was followed later

image of a past president, Abraham Lincoln, on the U.S. penny. In the next decades, the nickel,