

Chapter 33 The Dollar Goes abroad as a Diplomat/The Taft-Roosevelt Rupture

During Taft's presidency in 1909-1913, his administration brought the idea of dollar diplomacy as a foreign policy to the U.S. government. This was a form of using foreign policy to protect Wall Street investments abroad, and using Wall Street dollars to uphold foreign policy. President Taft devised this plan to boost American diplomacy by using American investments to gain leverage on other countries. The government at Washington D.C. supported this plan by openly encouraging Wall Street bankers to invest surplus dollars into foreign areas that the United States had concerns about. Examples of this type of foreign investments included the Far East, and the countries surrounding the Panama Canal. The US government wanted quick investment of American money to close the door on investors from other countries like Germany. By investing in countries before other rival investors could, the US was strengthening its defenses and foreign policies, while bringing prosperity to America and to investors themselves. The affair of China's Manchurian railroad was the object of Taft's main effort to bring the dollar to the Far East. Taft was afraid that Japan and Russia would strangle Chinese economic interests by controlling the Manchurian railroads, thus slamming the "Open door policy" in the faces of U.S. merchants. In 1909 Secretary of State Knox clumsily proposed that a group of American and foreign bankers buy the Manchurian railroads and then turn them over to China in a self-liquidating arrangement. Both Japan and Russia bluntly rejected this proposal, which brought both Knox and Taft criticism from the public. Another example of the "dollar diplomacy" at work is the pumping of the dollar into the financially unstable Honduras and Haiti to keep foreign funds out. The U.S. funded Honduras and Haiti because the Monroe Doctrine would not permit foreign nations to intervene. The U.S. sent American forces to the troubled countries of Cuba, Honduras, the Dominican Republic, and nearly 25,000 marines in 1912 to Nicaragua to protect the Panama Canal and other American interests, as a result of the dollar diplomacy.

Although President Taft was unsuccessful in foreign policy, he gained fame as an anti-trust president. During Taft's four years as president, he brought 90 suits against the trusts, as compared to 44 for Roosevelt in his 7 and a half years as president. Taft's most fateful year as a trust buster came in 1911 when the Supreme Court ordered the Standard Oil Company to be dissolved because it was in violation of the Sherman Anti-Trust Act of 1890, which forbade combinations in restraint of trade. Also in 1911 the Supreme Court handed down the "rule of reasoning" in which the court stated only those combinations that "unreasonably" restrained trade were illegal. This proviso shattered the government's basis of antitrust. Taft's downfall in his standings with the Republican party came in 1911 when he decided to press an antitrust suit against the U.S. Steel Corporation, a company in which Roosevelt had a key role in merging.

On March 1909, Taft called Congress into a special session to reduce tariffs. The House was attempting to pass a moderately reductive bill, but senatorial reactionaries, led by Senator Aldrich of Rhode Island, proposed higher tariffs. After much debate, Taft signed the Payne-Aldrich Bill which increased tariffs instead of reducing them as Taft had promised in his campaign for presidency.

Taft's conservative programs, that were equal to or surpassing Roosevelt's plans, included setting up the Bureau of Mines to control mineral resources, rescue millions of acres of western

coal lands from exploitation, and protected water power sites from private development. In 1910 the Ballinger-Pinchot quarrel erupted, causing Taft's great accomplishments to be overshadowed. When Secretary of the Interior Ballinger opened public lands in Wyoming, Montana, and Alaska to corporate development, Chief of the Division of Forestry and a faithful Rooseveltian, Gifford Pinchot, criticized him. The gap between former friends in Roosevelt and Taft was further widened when Taft dismissed Pinchot on the grounds of insubordination.

In June 1910 Roosevelt returned to the political stage at New York after spending time in Africa hunting game. At Osawatomie, Kansas, Roosevelt delivered a speech for "New Nationalism" which urged the national government to increase its power to cure economic and social problems. The Republican party, weakened by internal divisions, causing them to lose many seats in the congressional elections of 1910, leaving the Democratic party with 228 seats, while the once dominate Republican party held only 161 seats. Further symptoms of the progressive era was the election of Victor Berger, an Austrian born Socialist, for Milwaukee. The Republicans retained 51 seats in the Senate to 41 seats to the Democrats despite the many reforms.

In 1911 the National Progressive Republican League was formed with Senator La Follette of Wisconsin as its leading candidate for the Republican presidential nomination. Roosevelt was not the leading candidate because it was assumed that he would not permit himself to run for a third term. In February 1912 Roosevelt wrote to seven state governors that he was willing to accept the Republican nomination. Roosevelt soon took the place of La Follette as the leading Republican nominee for the progressive movement. In June 1912, when the Republican convention met in Chicago, many Rooseveltites, who were about 100 delegates short of winning the nomination, challenged the right of 250 Taft delegates to be seated. Most of the disputes were arbitrated in favor of Taft, whose supporters controlled the convention. Roosevelt's followers cried fraud and refused to vote, causing Taft to win the nomination. Roosevelt proved to be a poor loser and sought out to lead a third party crusade, as a Bull Moose party candidate.