

The College Board
Advanced Placement Examination

AMERICAN HISTORY
SECTION II
Time—60 minutes

Directions: The following question is based on the accompanying Documents A-Q. You will have 60 minutes to read and analyze the documents and answer the question.

This question tests your ability to work with historical documents. Your answer should be derived mainly from the documents. You may also refer to historical facts and developments not mentioned in the documents and may assess the reliability of the documents as historical sources where relevant to your answer.

1. To what extent and for what reasons did the policies of the federal government from 1865 to 1900 violate the principles of laissez faire, which advocated minimal governmental intervention in the economy? Consider with specific reference to the following three areas of policy: railroad land grants, control of interstate commerce, and antitrust activities.

Document A

Source: Amasa Walker, an American economist, *The Science of Wealth: A Manual of Political Economy* (1866)

"Economically, it will ever remain true, that the government is best which governs least. The wants of a people are the sole proper, the sole possible, motives for production. Nothing can be substituted for them. Anything that seems to take their place is merely a debasement of them. The interests of producers, whether laborers or capitalists, secure, better than any other possible means, the gratification of such wants."

Document B

Source: Daniel Knowlton, a New York City merchant, testimony before the Senate Committee on Education and Labor (September 27, 1883)

"Let us inquire for a moment what are the proper functions of government, and how far, if at all, it may interfere with the natural laws governing commerce, manufactures, and agriculture. Legitimate functions of government I conceive to be to maintain domestic tranquillity, defend the people from invasion, and protect them when traveling . . . to which may be added a few other functions of kindred nature, leaving the individual enterprise untrammelled. For that purpose we maintain an Army, Navy, and civil courts. When these general functions are exceeded the result is generally injurious to the Government. It is better always to leave individual enterprise to do most that is to be done in the country."

Document C

Source: United States government data (1960)

NATIONAL POPULATION OF THE UNITED STATES AND
FEDERAL GOVERNMENT EXPENDITURES AND DEBT: 1870-1900

| Year | Population (millions) | Nonmilitary Federal Government Expenditures* (millions) | Federal Government Debt* Outstanding (billions) |
|------|--------------------------|---|---|
| 1870 | 39.8 | \$101 | \$2.4 |
| 1880 | 50.1 | 120 | 2.1 |
| 1890 | 62.9 | 215 | 1.1 |
| 1900 | 76.0 | 290 | 1.3 |

*Shown in "current dollars"; i.e., not adjusted for later inflation or deflation

Document D

Source: United States government data (1968)

TOTAL UNITED STATES LAND GRANTS TO RAILROADS

| | Acreage of Grants (in millions) | Per Cent of State Area Granted |
|---------------|------------------------------------|--|
| Alabama | 2.7 | 8 |
| Arizona | 7.7 | 11 |
| Arkansas | 2.6 | 8 |
| California | 11.6 | 11 |
| Colorado | 3.8 | 6 |
| Florida | 2.2 | 6 |
| Idaho | 1.3 | 3 |
| Illinois | 2.6 | 7 |
| Iowa | 4.7 | 13 |
| Kansas | 8.2 | 16 |
| Louisiana | 1.4 | 4 |
| Michigan | 3.1 | 8 |
| Minnesota | 10.0 | 19 |
| Mississippi | 1.1 | 4 |
| Missouri | 2.3 | 5 |
| Montana | 14.7 | 16 |
| Nebraska | 7.3 | 15 |
| Nevada | 5.1 | 7 |
| New Mexico | 3.4 | 4 |
| North Dakota | 10.7 | 24 |
| Oregon | 3.7 | 6 |
| Utah | 2.2 | 4 |
| Washington | 9.6 | 22 |
| Wisconsin | 3.7 | 10 |
| Wyoming | 5.8 | 9 |
| Total Acreage | 131.5 | Per Cent of Total Area of These 25 States 10 |

Document E

Source: Resolution adopted at a National Agricultural Congress of farmers' representatives in Indianapolis (May 28, 1873)

"WHEREAS, We recognize the railways of the country as an effectual means of developing its agricultural resources, and as having an interest, common and inseparable, with the country through which they pass; and,

"WHEREAS, We have in times past fostered and aided them by liberal charters and concessions, made by public and private parties, and still desire to encourage further development of the railway system; therefore,

"Resolved, That a fair degree of reciprocity would suggest that corporations having a common interest and public aid, should, in their turn, endeavor to subserve the interest of the country through which they pass, by charging fair rates of freights, and by the equitable and just treatment of all localities along their lines."

Document F

Source: Congressional Record (1876 and 1878)

Note: Although land already granted by Congress continued to be earned by railroads entitled to the grants, as their lines were completed, and although state governments continued to make grants, the Congress terminated its policy of grants to railroads in the 1870's. The following resolution was passed by the Forty-fourth Congress in 1876 and adopted as well by the Forty-fifth in 1878.

"Resolved, that in the judgment of this House, in the present condition of the financial affairs of the Government, no subsidy in money, bonds, public lands, indorsement, or by pledges of the public credit, should be granted by Congress to associations or corporations engaged or proposed to engage in public or private enterprises; and that all appropriations from the public Treasury ought to be limited at this time to such amounts only as shall be imperatively demanded by the public service."

Document G

Source: J. K. Luttrell, Democratic congressman from California, speech in the House of Representatives (June 8, 1878)

"[At] the close of our great civil war, . . . unfortunately for the people and the Government, designing speculators gained control of the Congress of the United States, and the result was the granting or giving away to corporations and monopolies [millions of] acres of the public domain or lands of the people; territory greater in extent than Pennsylvania, Ohio, Kentucky, Tennessee, Indiana, Illinois, and Iowa. . . .

"The people are groaning under the burdens of taxation heaped upon them by reckless and willful legislation upon the part of their Representatives, who have given to unscrupulous corporations lands, bonds and money, until these corporations count their lands not by acres, as our fathers did, but by square miles. . . ."

Document H

Source: Jay Gould, railroad financier and official, testimony before the Senate Committee on Education and Labor (September 5, 1883)

"The giving of these land grants to railroads has not been an unmixed evil. . . . [T]he railroads have gone to work and instituted a system of settlement on those lands. They have advertised them—and the Government never would have done that. They have gone and brought emigrants from the Eastern States and from foreign countries; and they have given the purchasers of their lands credit, and in many cases, in hard times, they have even furnished them a little capital. . . . So that though the Government seems to have given away enormous grants of land, yet if I as an individual had been the owner of that land, I would have been very glad to have done the same thing."

Document I

Source: Charles Francis Adams, Jr., railroad official and expert, *Railroads: Their Origin and Problems* (1878)

"As an innovating force the railroad has . . . developed one distinctive problem, and a problem which actively presses for solution. . . . [I]t has become apparent that the recognized laws of trade operate but imperfectly at best in regulating the use made of these modern thoroughfares by those who thus both own and monopolize them. Consequently the political governments of the various countries have been called upon in some way to make good through legislation the deficiencies thus revealed in the working of the natural laws. This is the Railroad Problem."

Note: Documents J and K pertain to the congressional debates of 1886-87 that resulted in enactment of the Interstate Commerce Act (1887). The act provided that:

- (1) all charges made by railways must be reasonable and just
- (2) pooling of traffic or revenues was unlawful
- (3) price discrimination between customers or localities was unlawful
- (4) long-haul, short-haul price discrimination was subject to the control of the Interstate Commerce Commission, a new administrative agency created by the act

Document J

Source: United States Senate, Select Committee on Interstate Commerce, *Report* (January 18, 1886)

"[The United States has] the most efficient railway service and the lowest rates known in the world; but its recognized benefits have been attained at the cost of the most unwarranted discriminations, and its effect has been to build up the strong at the expense of the weak, to give the large dealer an advantage over the small trader, to make capital count for more than individual credit and enterprise, to concentrate business at great commercial centers, to necessitate combinations and aggregations of capital, to foster monopoly, to encourage the growth and expand the influence of corporate power, and to throw the control of the commerce of the country more and more into the hands of the few.

"... [I]t is the deliberate judgment of the committee that upon no public question are the people so nearly unanimous as upon the proposition that Congress should undertake in some way the regulation of interstate commerce. Omitting those who speak for the railroad interests, there is practically no difference of opinion as to the necessity and importance of such action by Congress. . . . The committee has found among the leading representatives of the railroad interests an increasing readiness to accept the aid of Congress in working out the solution of the railroad problem which has obstinately baffled all their efforts, and not a few of the ablest railroad men of the country seem disposed to look to the intervention of Congress as promising to afford the best means of ultimately securing a more equitable and satisfactory adjustment of the relations of the transportation interests to the community than they themselves have been able to bring about."

Document K

Source: William C. Oates, Democratic congressman from Alabama, speech in the House of Representatives (January 20, 1887)

"This bill [the Interstate Commerce Act] is a long stride in the direction of paternal government, for by that theory this Government must protect and direct the business of all of the people of this country, and leave nothing to that independence and manhood which has distinguished Americans above the people of every other country on the face of the earth. . . .

"It [the government] should only interpose where necessary in order that great abuses may be prevented and justice administered among the people. The administration of justice between man and man, and the maintenance of good order, is all the business of Government. Further than that it should never, in my judgment, undertake to go. It should leave every man as much of his native freedom as is consistent with these two purposes of the Government."

Document L

Source: Interstate Commerce Commission, *First Annual Report* (1887)

"The act to regulate commerce was not passed to injure any interests, but to conserve and protect. It had for its object to regulate a vast business according to the requirements of justice. Its intervention was supposed to be called for by the existence of numerous evils, and the Commission was created to aid in bringing about great and salutary measures of improvement.

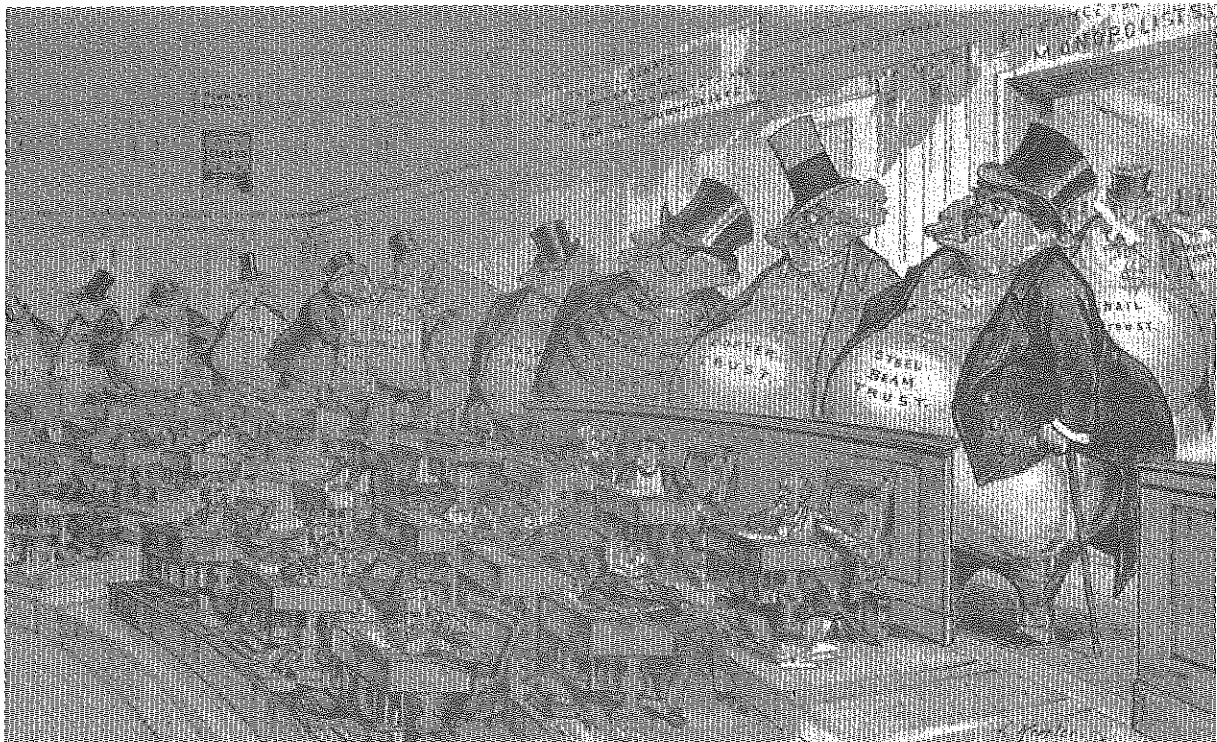
"... In some particulars, as we understand has also been the case with similar statutes in some of the States, it has operated directly to increase railroad earnings, especially in the cutting off of free passes on interstate passenger traffic, and in putting an end to rebates, drawbacks, and special rates upon freight business.

"... The general results of the law have been in important ways favorable to both the roads and the public; while the comparatively few complaints that have been heard of its results are either made with imperfect knowledge of the facts, or spring from the remembrance of practices which the law was deliberately framed to put an end to."

Note: Documents M-Q pertain to the Sherman Antitrust Act, which was introduced in Congress by Senator John Sherman of Ohio. The principle of the act was stated in Section I: "Every contract, combination in the form of trust or otherwise, or conspiracy, in restraint of trade or commerce among the several States, or with foreign nations, is hereby declared to be illegal. . . ." The Attorney General was directed to institute proceedings in the federal circuit courts against violators, who were subject to fines and imprisonment. The act was passed in the Senate by a vote of 52 to 1 and in the House unanimously, becoming law in July, 1890.

Document M

Source: Joseph Keppler, "Bosses of the Senate," *Puck* (1889)



Document N

Source: John Sherman, senator from Ohio, speech in the Senate (March 21, 1890)

"It is said that this bill [the Sherman Antitrust Act] will interfere with lawful trade, with the customary business of life. I deny it. It aims only at unlawful combinations. It does not in the least affect combinations in aid of production where there is free and fair competition. It is the right of every man to work, labor, and produce in any lawful vocation and to transport his production on equal terms and conditions and under like circumstances. This is industrial liberty and lies at the foundation of the equality of all rights and privileges. . . ."

Document O

Source: President Grover Cleveland, Second Inaugural Message (1893)

"The existence of immense aggregations of kindred enterprises and combinations of business interests formed for the purpose of limiting production and fixing prices is inconsistent with the fair field which ought to be open to every independent activity. Legitimate strife in business should not be superseded by an enforced concession to the demands of combinations that have the power to destroy. . . . To the extent that they [combinations] can be reached and restrained by Federal power the General Government should relieve our citizens from their interference and exactions. . . ."

Document P

Source: Chief Justice M. W. Fuller, speaking for the Supreme Court in the case of *United States v. E. C. Knight Company*, a sugar refining company (1895)

". . . The argument [of the counsel for the United States government] is that . . . in the exercise of the power to regulate commerce [Congress] may suppress such [a manufacturing] monopoly directly and set aside the instruments which have created it. . . ."

"[The Court rules, however, that] the power to control the manufacture of a given thing involves in a certain sense the control of its disposition, but this is a secondary and not the primary sense. . . . Commerce succeeds to manufacture, and is not a part of it. The power to regulate commerce is the power to prescribe the rule by which commerce shall be governed, and is a power independent of the power to suppress monopoly."

". . . It was in the light of well-settled principles that the [Sherman Antitrust] act of July 2, 1890 was framed. Congress did not attempt thereby to assert the power to deal with monopoly directly as such; or to limit and restrict the rights of corporations created by the States or the citizens of the States in the acquisition, control, or disposition of property. . . . [W]hat the law struck at was combinations, contracts, and conspiracies to monopolize trade and commerce among the several States or with foreign nations. . . ."

Document Q

Source: United States government data (1960)

MERGERS IN MANUFACTURING AND
MINING: 1895-1900

| <u>Year</u> | <u>Mergers</u> | <u>Authorized Capitalization or Gross Assets of Firms Involved in Mergers (millions)</u> |
|-------------|----------------|--|
| 1895 | 43 | \$ 41 |
| 1896 | 26 | 25 |
| 1897 | 69 | 120 |
| 1898 | 303 | 651 |
| 1899 | 1,208 | 2,263 |
| 1900 | 340 | 442 |

Source: Hans B. Thorelli, *Federal Antitrust Policy: The Origination of an American Tradition* (1955)

FEDERAL PROSECUTIONS INSTITUTED UNDER
THE SHERMAN ANTITRUST ACT, 1890-1901

| <u>Presidential Administration</u> | <u>Months in Office</u> | <u>Number of Cases</u> |
|------------------------------------|-------------------------|------------------------|
| Benjamin Harrison | 32 | 7 |
| Grover Cleveland | 48 | 8 |
| William McKinley | 54 | 3 |

END OF 1979 DBQ DOCUMENTS