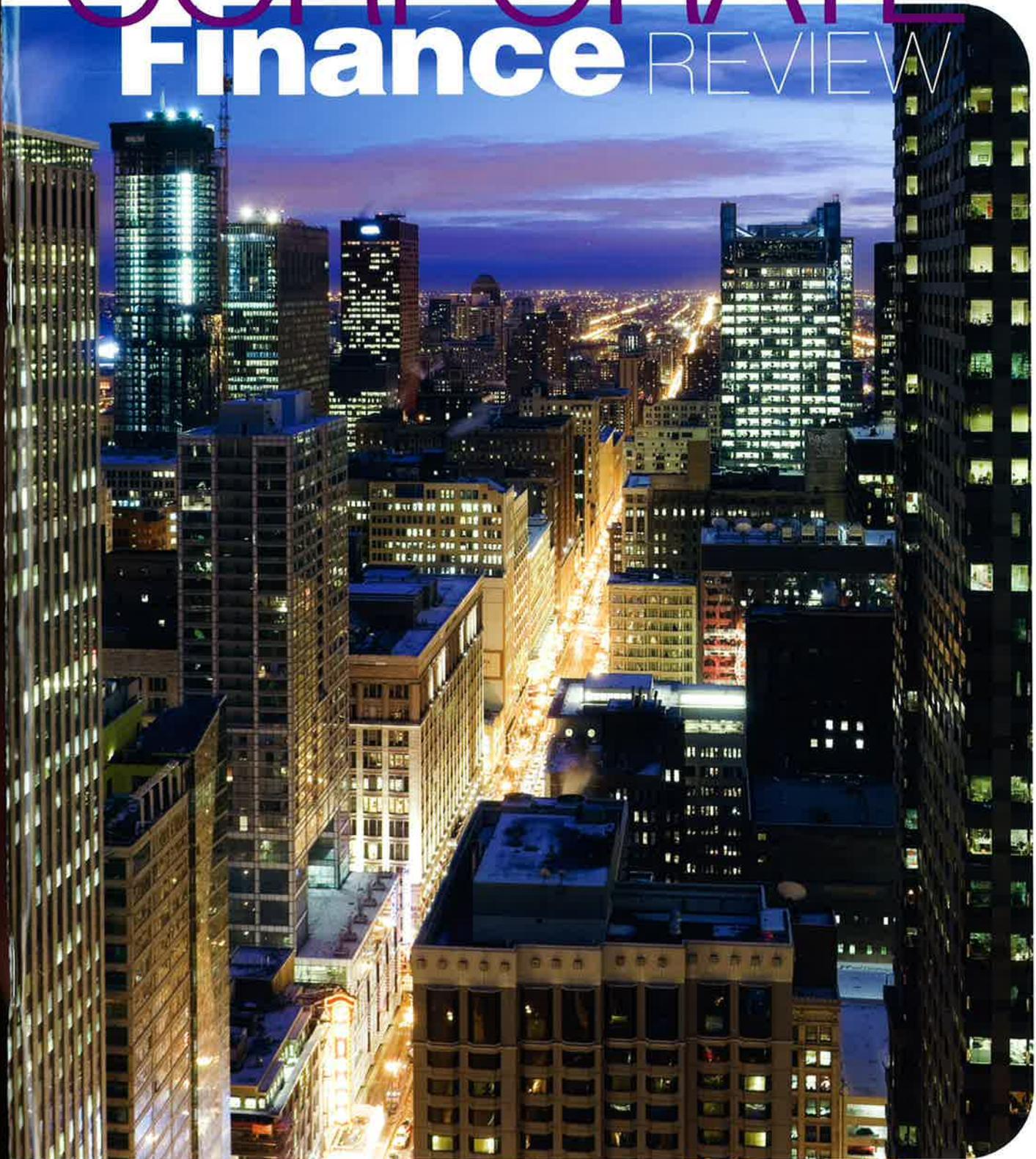


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CORPORATE Finance REVIEW



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TEDDY ROOSEVELT AND CREATION OF THE MODERN PRESIDENCY—WITH FOCUS ON LARGE CORPORATIONS AND CORPORATE BEHAVIOR

He was born into a family of great wealth, influence, and privilege in New York City and in his adult years became a fierce protector of the poor and emerging American middle class. He was tutored privately and graduated from Harvard University (class of 1880), destined for a life of privilege. As a young public official, he visited tenement housing in the company of a social reformer (Jacob Riis) who, he said, opened his eyes to the harsh living and working conditions of hundreds of thousands of immigrants recently arrived in New York from other lands.¹ Over a lifetime of public service he would be the champion societal reformer of the USA, battling against perceived and real injustice. He would also be a privileged land owner and elite beneficiary of the affluent life of America's Gilded Age, which he was born into. (The era was so named by author Mark Twain.)²

The man's actions reverberate down to the current era, as his "reforms" for Big Business and the modern corporation spurred on actions that led through various paths to today's complex regulatory framework for U.S. industry and business. "He" was Theodore Roosevelt, scion of a family of prominent landowners, business owners, investors, and social benefactors of New York City who would be elected by the common folk to the New York State legislature, to the state governorship, to the office of the Vice Presidency, and following the assassination

of a popular president, would become the 26th President of the United States of America. As president he would serve out the three-plus years of his running mate and be elected to a full four-year term of his own. (TR served from 1901 to March 1909.) Over the course of his two-term presidency TR would inspire, enact, and champion political actions that would dramatically change and re-form the private sector of the U.S.—changes that continue today to affect the strategies, operations, governance, compliance, corporate disclosure, and other aspects of everyday life in the major corporation.

Often the reforms of the 1930s, following the October 1929 crash of the stock market and the ensuing Great Depression, are attributed to another Roosevelt—Franklin Delano Roosevelt and the New Deal legislation. In fact, many of those reforms and regulations were first suggested by Teddy Roosevelt, and his words and action helped to inspire the New Dealers decades later.

Known popularly as "TR," Theodore Roosevelt is credited with the creation of the modern presidency of the U.S. Seizing on a popular term of the day—"bully!" (as in, "bully for you," a form of praise)—he created the presidency's Bully Pulpit, constantly taking his ideas and political positions to the common people and vigorously pushing back on his political opponents, who generally were among the most rich and powerful interests of the nation.^{3,4}

The president wrote: "We demand that big business give the people a square

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AS PRESIDENT, HE BATTLED MONOPOLIES, TRUSTS, UNFAIR FINANCIAL MARKET PRACTICES, AND "EXPLOITATION" OF NATURAL RESOURCES BY BIG BUSINESS INTERESTS.

deal; in return we must insist that when anyone engaged in big business honestly endeavors to do right, he himself shall be given a square deal." (His presidency was often characterized as aimed at giving the American people a "square deal."⁵ The later presidency of Franklin Delano Roosevelt was organized around the concept of giving the people "a New Deal.")

In his autobiography, President Theodore Roosevelt recalled his early adult experience of being introduced by well-meaning family friends to rich and powerful forces and thinking to himself: "This was the first glimpse of that combination between business and politics which I was in after years so often to oppose." He described the businessman of the late-1800s as "preeminently the good citizen," and the rewards that came to him were justified. He was not anti-business, but he was opposed to what he saw as immoral practices in business.⁶

TR was a believer in self-reliance, fair play, honesty and decency, and administrative efficiency in the public sector. This would play out in the president's view of wages paid to labor—"government's duty to protect women and children must be extended to protection of all the crushable elements of labor"—which greatly encouraged the new unions of the era. Abolishment of child labor would become one of his signature political platforms. He also saw government as protector of small business interests against large corporations. As president, he battled monopolies, trusts, unfair financial market practices, and "exploitation" of natural resources by Big Business interests.⁷⁻⁹

The U.S. Supreme Court upheld the right of the U.S. government to regulate interstate commerce during President Roosevelt's term. Earlier, Congress had passed the *Sherman Anti-Trust Law* (1890) to regulate the Tobacco Trust and the Sugar Trust (the Standard Oil Company over time would become a trust); this precedent was "inherited" by TR as he moved into the White House. He urged Congress to enact legislation for "the inauguration of a system of thoroughgoing

and drastic Governmental regulation and control over all big business combinations engaged in inter-State industry."^{10,11}

The swift rise of Big Business interests in the U.S. after the Civil War (1861–1865) resulted in—among other things—large business trusts that controlled entire industries, beginning with tobacco and sugar, then the oil industry and meat packing. In his quest to regulate large enterprises engaged in interstate commerce, he was greatly aided by the muckraking journalists of the day. His embrace of them was not always easy; he frequently criticized some of their writings and methods. We might say that TR was the first president with a sharp focus on corporate governance!

The origins of the "muckrakers"

The investigative journalists of today had their origins in the muckraker period. President Roosevelt had presided over the dedication of a new congressional office building and in his remarks had mentioned "the muckraker," a reference to a character in the book, "Pilgrim's Progress" by 17th century Christian writer John Bunyan. Bunyan had written about the man with the rake stirring the muck at the bottom in a negative tone. The president meant his remark in the same way. However, some journalists of the day gleefully seized on the comment and saw it in a positive light. By the time the president was back in the White House (a name he gave to the former "President's House"), he was on board with the sobriquet (and journalists' views) of "muckraking."¹²

The president had been upset by an article attacking the U.S. Senate—"The Treason of the Senate"—and was becoming a master at balancing his attacks on both the right and the left. In this case, he criticized writer David Graham Phillips by quoting Bunyan: "... the Man with the Muckrake, the man who looks no way but downward with the muckrake in this hand, who was offered a celestial crown for his muckrake but would neither look up nor regard the crown he was offered, but continued to rake to himself the filth of the floor ..."¹³

Muckrakers were the investigative publishers, editors, journalists, authors, photographers, illustrators, and social activists of the day. With technological advances in printing, the debut of magazines, and an emerging middle class audience (and wider literacy in the U.S.), the popular magazines were becoming widely-read, and some were focused on “righting the wrongs” of late-19th century and early 20th century life. Big Business was often the target. The muckraker writings had powerful outcomes for the American society and business interests.^{14,15}

The authors (and their targets) included:

- Lincoln Steffens, who focused on political corruption and authored “Shame of the Cities”;
- Ida Tarbell, long-time nemesis of the Standard Oil Company interests (the Rockefellers);
- Jane Addams, writer on housing and social conditions, social activist, and organizer;
- Jacob Riis, a Danish immigrant who brought slum conditions to public prominence and mentored TR in the conditions of the cities and their working class populations;
- Ernest Crosby, who attacked social conditions of the day, including the state of many newly-arrived immigrants in the cities;
- S.S. McClure, publisher (*McClure’s*) and cigarette industry antagonist; his magazine and its enterprising (and bylined) journalists set the pace for the muckraking era;
- Ray Stannard Baker, who attacked unfair business practices; his writing in *McClure’s* influenced government officials, academics, social issue leaders, other journalists;
- Upton Beall Sinclair, who authored the influential novel, “The Jungle,” about conditions in the factories of the meatpacking trust in the Midwest.

Upton Sinclair’s popular novel “The Jungle” exposed abuse of labor, hazardous working conditions, and tainted products created in the Meat Trust’s packing houses (it is still in print today). The resulting popular reaction drove reform

legislation in the U.S. Congress, and in 1906, the *Pure Food & Drug Act* was passed. The long legacy of that law includes today’s Food & Drug Administration’s focus on pharmaceuticals, biologics, medical devices, and certain activities of the food industry. (The act initially prohibited transportation and sale of adulterated food across state lines and built on the power of the Commerce Clause of the U.S. Constitution. In 1938, Congress adopted the successor legislation, the *Food, Drug, and Cosmetic Act*.)

TR’s life and times—and origins

TR was a seventh generation descendant of Klaes Martenson van Roosevelt of New Amsterdam—a “settler” who came via steerage from Holland in the 19th century and became a prosperous farmer in the New World, often buying up neighbors’ farms in recessions or financial downturns. Great wealth would derive from these Manhattan Island landholdings over the generations to follow. From the ambitious settler came two “houses” of Roosevelts: TR’s family, staying in New York City and downstate Oyster Bay, Long Island; and the upstate Hudson River region Roosevelt families, from which a distant cousin, Franklin Delano Roosevelt would rise politically to become the 33rd President of the United States. TR was a Republican; FDR a Democrat. Both were “progressives.”¹⁶⁻¹⁸

The modern Progressive Movement

The Progressive Movement came about in part from the muckrakers’ revelations of social conditions in the late-1890s and early 20th century. The primary drivers for “progressive thought” were the enormous political, social, economic, and workplace changes taking place as the U.S. moved from an agrarian, rural economy to an industrialized, urban society. Great wealth was created; so, too was great misery for the underclass and newly-arrived immigrants. The progressives dealt with the social issues that they saw as needing change: powerful political bosses in the cities, predatory Wall Street interests and bankers, monop-



THE PROGRESSIVES DEALT WITH THE SOCIAL ISSUES THAT THEY SAW AS NEEDING CHANGE.

olies, greedy industrialists, anti-competitive practices of Big Business, and cooperating, corrupt government officials. These they saw as threats to the American Democracy.^{19,20}

The tide of public opinion rose for the reformers with every revelation of child labor practices, unsafe factories, predatory pricing, and other “social maladjustments.” Teddy Roosevelt was often on the side of the reformers. During his second term, he sought great expansion of federal power “in the national interest” to address the power of urban bosses and Big Business. What he could not do with the help of Congress, he usually did on his own with the sweeping power of Executive Orders.^{21,22}

The progressives became a political force to be dealt with on the local and national political stage. Among the political platforms and accomplishments of the Progressives under presidents Teddy Roosevelt, William Howard Taft, and Woodrow Wilson were:

- Elimination (or strict control) of child labor;
- Establishment of minimum wage standards for working women;
- Abolition of convict worker contracts;
- Mandated 8-hour day within a 24-hour work period for industrial workers;
- Full reports on industrial accidents and deaths;
- Creation of a Department of Labor in the federal government;
- Enactment of a federal income tax—adopted by popular referendum as the 16th Amendment to the Constitution in 1913;
- Assured benefits for veterans of the nation’s wars;
- Reform of the cities and better treatment of immigrant populations;
- Preservation of the country’s natural resources.²³

These were included in the official party platform of the National Progressive Party in the 1912 presidential elections; Teddy Roosevelt was the 1912 standard-bearer of the party that he helped to cre-

ate, and in a four-way race lost the election to Woodrow Wilson, a Democrat, who would be the last president in the progressive era. TR’s party was often referred to as the “Bull Moose” party.^{24,25}

The conservation president

To be counted among President Roosevelt’s accomplishments was the preservation of considerable lands in the continental United States, Alaska, and the territories. A century later, the work he did still affects business interests in mining, forestry, oil and gas exploration, shipping, and other fields of activity. When TR left office in March 1909, there were 234 million acres of U.S. lands preserved forever, much of it part of his vision for the National Wildlife Refuge System (this predated the U.S. national parks system, which came in the next decade). On one day in March 1909, he set aside 51 bird refuges in 17 states, Alaska, Puerto Rico, and Hawaii;²⁶ his actions would boost the conservation movement, which six decades later morphed into the environmental movement and, more recently, into the sustainability movement.^{27,28}

Before embarking on his political career, TR wrote (in 1886): “Like all Americans, I like big things; big prairies, big forests and mountains, big wheat fields, railroads—and herds of cattle, too—big factories, steamboats, and everything else.”²⁹ During his time in the presidency, he would write: “We are at the moment facing a new conflict in this country, the importance of which we are only beginning to perceive. It lies between two great parties, one a progressive party seeking to give the government more power in business affairs, the other a conservative party striving to retain all the power possible in private hands.”³⁰ A century later, that great debate continues, and the legacy of President Theodore Roosevelt is evident in the struggle.

Over the many decades since President Theodore Roosevelt first rose to prominence in American public life, there have been hundreds of books published about the various aspects of his life, including his own autobiography and a shelf of books authored by TR himself.

“LIKE ALL AMERICANS, I LIKE BIG THINGS; BIG PRAIRIES, BIG FORESTS, BIG WHEAT FIELDS, RAILROADS—AND HERDS OF CATTLE, TOO—BIG FACTORIES, STEAMBOATS, AND EVERYTHING ELSE.”

Many aspects of his life and accomplishments have been explored by many authors and presented in ways unique to the writers. We are indebted to authors of the works cited in the Notes section below, which served as references. ■

NOTES

- ¹Theodore Roosevelt, *An Autobiography*, 1913, McMillan (New York); available as reprint. See Chapter 16—"The Natural Resources of the Nation." In his first message to the Congress, the President said: "The Forest and water are perhaps the most vital internal problems of the United States." His July 4, 1886 speech can be read at http://www.theodorerooseveltcenter.org/News_Details.asp?ID=31.
- ²Mark Twain (Samuel L. Clemens), and Charles Dudley Warner, "The Gilded Age," Vols. I and II, 1873, Harper & Brothers Publishing, New York NY. These volumes are interesting examinations in novel form of the rise of big business, the wealthy class, and the impacts on the "common folk" of the late 19th century as seen by the authors.
- ³H. Paul Jeffers, "The Bully Pulpit," 1998 and 2002 by Taylor Trade Publishing (Dallas, TX). Excellent title book of "Bully" sayings by TR. President Roosevelt used the word "bully" for wonderful, excellent, etc., and saw the presidency as a platform or pulpit.
- ⁴*Op. cit.* note 1.
- ⁵*Ibid.*
- ⁶*Ibid.*
- ⁷A. J. Scopino, Jr., "The Progressive Movement, 1900-1917," 1996, a slim volume by Discovery Enterprises (Carlisle, MA). The Progressive Party ran presidential candidates from 1912 to 1924; many of its planks would be absorbed by the Republican and Democratic parties. In the 1912 election, denied nomination by the Republican party, TR and his followers formed the Progressive Party.
- ⁸Edmund Morris, *Theodore Rex*, part of the excellent trilogy, 2001, Random House (New York). (Chronicles the rise of TR with voluminous details of his personal and political life.)
- ⁹*Op. cit.* note 1.
- ¹⁰*Op. cit.* note 8.
- ¹¹*Op. cit.* note 1.
- ¹²Louis Filler, *The Muckrakers*, 1968, Stanford University Press (California), updated by the author, 1976. This is considered the definitive book on the editorial muckrakers of the late 19th and early 20th centuries.
- ¹³*Ibid.*
- ¹⁴*Op. cit.* note 12.
- ¹⁵*Op. cit.* note 1.
- ¹⁶*Op. cit.* note 7.
- ¹⁷*Op. cit.* note 8.
- ¹⁸*Op. cit.* note 1.
- ¹⁹*Op. cit.* note 7.
- ²⁰*Op. cit.* note 12.
- ²¹*Op. cit.* note 1.
- ²²*Op. cit.* note 8.
- ²³*Op. cit.* note 7.
- ²⁴*Ibid.*
- ²⁵*Op. cit.* note 1.
- ²⁶*Ibid.*
- ²⁷Douglas Brinkley, *The Wilderness Warrior—Theodore Roosevelt and the Crusade for America*, 2009, HarperCollins (New York). Brinkley writes that as TR left the White House, the acreage of preserved forest lands had expanded from 43 million acres in 1901 to 194 million in 1909, plus millions of acres of bird preserves and parklands (808).
- ²⁸*Op. cit.* note 1.
- ²⁹*Ibid.*
- ³⁰Theodore Roosevelt, title of speech—"We Stand at Armageddon, and We Battle for the Lord"—to the Progressive Party Convention, August 6, 1912 in Chicago, Illinois (aka the "Bull Moose" party). Copy here (pdf 0- 32pps): "A Confession of Faith": roosevelt.com/images/research/speeches/trarmageddon.
- ³¹Theodore Roosevelt, "This Strenuous Life," 1905 speech, published as a book and republished 1991 by Applewood Books (Bedford MA); considered the essence of his personal philosophy.
- ³²The Theodore Roosevelt Association publishes an excellent journal, information at 20 Audrey Avenue, Oyster Bay, New York, 11771-1532. This author is a member.
- ³³For an interesting view of Theodore Roosevelt IV, see *Fortune* magazine's Marc Gunther blog post—"Ted Roosevelt is lonely" (June 2011, at=<http://marcgunther.com>).