Bloomberg

Why Woodrow Wilson Wooed Shoppers and Snubbed Business

By Marc Levinson - Sep 26, 2012

In 1912, as in 2012, issues of personal wealth and corporate power were at the heart of the presidential campaign.

Food prices were soaring and average families feared for their living standards as they replaced meat and butter with potatoes and margarine. Hard-pressed workers, often putting in 56-hour weeks on dangerous jobs, couldn't help but envy the conspicuous affluence of a distant elite.

Throughout the campaign, unfairness was a constant theme: farmers unhappy with railroads, local manufacturers angry at the emergence of nationwide competitors, and small shopkeepers claiming chain stores were stealing their customers all objected to the growing dominance of big business.

Four candidates were on the ballot. The incumbent, Republican William Howard Taft, spoke to populist emotions by portraying himself as a trustbuster who had stood up against the monopolists of Standard Oil Co. Taft's predecessor and former patron, Theodore Roosevelt, had sought the Republican nomination but fallen short; he ran as the candidate of the Progressive Party, in favor of more government regulation and taxes on inheritance and income. Eugene V. Debs was the Socialist candidate for the fourth consecutive election. And the Democrats nominated New Jersey Governor Woodrow Wilson, who had been voicing suspicion of big business for two decades.

Consumers' Interests

Wilson may have been the first presidential candidate to focus on consumers as an interest group. As early as 1898, he had written that "the modern industrial organization has so distorted competition as sometimes to put it into the power of some to tyrannize over many." By 1912, his opinion hadn't changed. Advised by the famed Boston attorney Louis Brandeis, a self-styled consumer advocate, he launched a blistering attack on those who "have sometimes said that it was absurd to talk about the consumer in a country where everybody was a producer." Consumers' interests weren't the same as producers' interests, he insisted.

Although attacks against trusts and monopolies were standard fare, served up by all the candidates, Wilson was alone in drawing links among trusts, tariffs, lack of competition and rising prices. As he put it when accepting the nomination in August 1912, “The high cost of living is arranged by private understanding.”

Among the evils Wilson denounced was price discrimination -- when a seller charges different prices to different buyers for an identical product. Although the label suggests untoward dealings, price discrimination often makes economic sense: Selling huge volumes to a single customer will almost always cost a business less per unit than selling tiny volumes, and price discrimination lets the customer with the larger order share the supplier’s saving. But to the owners of small businesses and the residents of small towns, price discrimination was a pernicious practice that would leave them forever at a disadvantage.

The first federal law to regulate the railroad industry, enacted in 1887, included a strict ban on discrimination. Yet the railroads could find ways around the law, and the large companies that increasingly dominated mining and manufacturing routinely demanded that their suppliers offer better terms than small competitors could obtain.

Power of Chains

In retailing, chain stores were increasingly powerful: 257 companies were operating chains in 1910, almost five times as many as in 1900, and they insisted on volume discounts from manufacturers, which enabled them to underprice independent shops.

Complaining that chain stores were selling goods too cheaply wasn’t an approach calculated to earn sympathy from the consuming public, so the organizations representing independent merchants rephrased the problem as one of discrimination. As the secretary of the National Grocers Association would explain, “The general working rules should be, ‘A fair price and the same to everybody.’”

Wilson was in total agreement. If price discrimination could be stopped, he asserted, “then you have free America, and I for my part am willing to stop there and see who has the best brains.”

Splitting the Republican vote, Wilson swept to victory in November 1912 as the first Democratic president since 1897. In office, he pushed hard on consumer issues, winning a major tariff reduction in 1913 and passage of the Federal Trade Commission Act in 1914, which prohibited “unfair methods of competition.” But he wouldn’t go as far as his adviser, Brandeis, who had an unusual understanding of what it meant to help consumers. Brandeis inveighed against “the evil results of price-cutting.” As he put it: “In order that the public may be free buyers, there must be removed from the mind of the potential purchaser the thought that probably at some other store he could get that same article for less money.”

Wilson, on the other hand, accepted the idea that price competition benefits consumers; his other signature consumer legislation, the Clayton Antitrust Act of 1914, outlawed price discrimination only when the effect “may be to substantially lessen competition or tend to create a monopoly.” Wilson, it turned out, was more pro-consumer than the nation’s best-known consumer advocate.

(Marc Levinson’s most recent book is “The Great A&P and the Struggle for Small Business in America.” The opinions expressed are his own.)

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