I. The Iron Colt Becomes an Iron Horse

- Industrial development of United States:
  - Railroads
  - Outburst of railroad construction crucial
  - 1865: 35,000 miles of railways
  - 1900: 192,556 miles, much of it west of Mississippi (see Figure 24.1)
  - Transcontinental railroad building required government subsidies because so costly and risky
  - Construction of railway systems promised greater national unity and economic growth
I. The Iron Colt Becomes an Iron Horse (cont.)

• Arguments for military and postal needs impressed Congress to:
  – Advance liberal loans to two favored cross-continent companies in 1862
  – Add enormous donations of acreage paralleling tracks
  – Washington granted railroads 155,504,994 acres, and western states contributed 49 million—far total area larger than Texas (see Map 24.1)
  – Land grants given in broad belts along proposed railroad route
  – Within these belts, railroads could choose alternate mile-square sections in checkerboard fashion (see Map 24.1)

I. The Iron Colt Becomes an Iron Horse (cont.)

– Until determination of precise route for tracks, railroads withheld all land from other uses
– President Cleveland ended foot-dragn practice in 1887: “Threw open to settlement still unclaimed public portion of land-grant areas

• Government benefits:
  – Preferential rail rates for postal service and military traffic
  – Granting land a “cheap” way to subsidize much-desired transportation system:
    » Avoided new taxes for direct cash grants

I. The Iron Colt Becomes an Iron Horse (cont.)

– Railroads could turn land into gold by using it as collateral for loans from private bankers or by selling it
  – Average price of $3 per acre
  – Critics overlooked that land had relatively modest value until railroads had ribboned it with steel

• Frontier villages along route flourished into cities:
  – Those bypassed became “ghost towns”
  – Ambitious towns held out monetary incentives to builders:
    » Who sometimes blackmailed them into contributing more generously
II. Spanning the Continent with Rails

- In 1862 Congress started long-awaited line:
  - Argument for action was urgency of bolstering Union:
    - By binding Pacific Coast—especially gold-rich California—
      more security with rest of Republic
  - Union Pacific Railroad:
    - Note word Union: thrust westward from Omaha
  - For each mile of track constructed:
    - Company granted twenty square miles of land
    - Alternating in 640-acre sections on either side of track
    - For each mile, builders given generous federal loans from
      $16,000 on flat land to $48,000 for mountainous country

II. Spanning the Continent with Rails (cont.)

- Laying of rails began in earnest after Civil War
  - Credit Mobilier:
    - Construction company that reaped fabulous profits
    - Pocketed $73 million for $50 million worth of breakneck construction
    - Bribed congressmen to look other way
II. Spanning the Continent with Rails (cont.)

— Construction work:
  • Sweaty construction gangs, Irish “Paddies” (Patricks) worked at frantic pace
  • When Indians, whose land was seized, would attack, workers would use their rifles
  • Scores of people died
  • At end of tracks, workers tried to find relaxation in tented towns

II. Spanning the Continent with Rails (cont.)

• Central Pacific Railroad:
  • Pushed east from boomtown Sacramento, through towering snow-clogged Sierra Nevada
  • Four far-seeing men—Big Four—chief financial backers of enterprise:
    — Enterprising ex-governor Leland Stanford of California, used his political connections
    — Collis P. Huntington, an adept lobbyist
    — Big Four operated two construction companies, pocketed tens of millions in profits, kept hands clean from bribes
II. Spanning the Continent with Rails (cont.)

- Granted same princely subsidies as Union Pacific
- Had same incentive to haste
- Used ten thousand Chinese laborers:
  - Sweated from dawn to dusk
  - Proved to be cheap, efficient, and expendable
- Over Sierra Nevada, gained only a few inches each day tunneling through solid rock
- While those sledgehammering westward crossed open plains

  - “Wedding of the rails,” consummated near Ogden, Utah, 1869 with colorful ceremony
  - Union Pacific built 1,086 miles; Central Pacific 689 miles

II. Spanning the Continent with Rails (cont.)

- Results of railroad construction:
  - One of America’s most impressive peacetime undertakings
  - Welded West Coast more firmly to Union
  - Facilitated flourishing trade with Asia
  - Penetrated arid barriers of deserts, paving way for phenomenal growth of Great West
III. Binding the Country with Railroad Ties

• Four other trans-continental lines completed:
  - None secured monetary loans from government
  - All (except Great Northern) received generous grants of land
  - Northern Pacific—from Lake Superior to Puget Sound—finished in 1883
  - Atchison, Topeka, and Santa Fe—from southwest deserts to California—finished in 1884
  - Southern Pacific—New Orleans to San Francisco—consolidated in 1884

III. Binding the Country with Railroad Ties (cont.)

– Great Northern—Duluth to Seattle—finished in 1893:
  - Creation of far-visioned Canadian American James Hill, probably greatest railroad builder
  - His enterprise so soundly organized it rode through later financial storms with flying colors
  - Pioneer builders often overoptimistic
  - Sometimes laid rails “from nowhere to nothing”
  - Endless bankruptcies, mergers, and reorganizations

IV. Railroad Consolidation and Mechanization

• Western lines facilitated by welding and expanding older eastern networks
  - Notably New York Central: “Commodore” Cornelius Vanderbilt amassed fortune of $100 million by offering superior service at lower rate
  - Also pushed switch from iron to steel rails
  - Eastern networks moved to standard gauge track
  - Westinghouse air brake increased safety
  - Pullman Palace Cars
V. Revolution by Railways

- Railroads intimately touched countless phases of American life:
  - For first time, sprawling nation united in physical sense, bound with ribs of iron and steel
  - America’s biggest industry:
    - Employed more people than any other industry
    - Gobbled up nearly 20% of investment dollars from foreign and domestic investors
    - Spurred amazing economic growth post-Civil War

V. Revolution by Railways (cont.)

- Opened West with its wealth of resources
- Made America largest integrated national market in world
- Generated largest single source of orders for adolescent steel industry
- Stimulated mining and agriculture in West
  - Clusters of farm settlements paralleled railroads
- Railways boon to cities—led great cityward movement of late 1800s
V. Revolution by Railways (cont.)

- Stimulated mighty stream of immigration
- Land also felt impact:
  - Especially broad, ecologically fragile midsection
  - Settlers plowed up tallgrass prairies and planted well-drained, rectangular cornfields
  - Range-fed cattle displaced buffalo, hunted to near-extinction
  - White pine forests disappeared into lumber to build houses and fences

V. Revolution by Railways (cont.)

- Time itself bent to railroad’s needs:
  - Until 1880s, each town had its own “local” time
  - On November 18, 1883, major rail lines decreed continent would be divided in four “time zones”
  - Most communities adopted “standard” time
- Railroads made millionaires:
  - Colossal wealth amassed by stock speculators and railroad wreckers

VI. Wrongdoing in Railroading

- Corruption lurks when fortunes can be made overnight:
  - Jay Gould: most adept ringmaster of rapacity
    - For years he boomed and busted stocks of major railroad companies by means of speculation
    - “Stock watering”—make cattle thirsty by feeding them salt and bloating them with water before weighing them for sale
    - Using same method, stock promoters inflated claims about a railroad’s assets and profitability to sell stocks and bonds far in excess of actual value
VI. Wrongdoing in Railroading (cont.)

- Railroads forced to charge extortionate rates and wage competitive battles to pay off financial obligations
- Public interest trampled by railroad titans who waged brutal wars
- Railroaders blandly bought and sold people:
  - Bribed judges and legislatures
  - Employed arm-twisting lobbyists
  - Elected their own "creatures" to high offices
  - Showered free passes on journalists and politicians in West
  - For a time, virtual industrial monarchs

These industrial monarchs:

- Manipulated huge national monopoly:
  - Exercised more direct control over people than president—
    with no limit to four year terms
  - Eventually moved from cutthroat competition to cooperation
  - Entered into defensive alliances to protect profits

- Early form of combination was the "pool":
  - Agree to divide business in given area and share profits

- Granted secret rebates or kickbacks to large shippers:
  - Slashed rates on competing lines—made up difference on noncompeting lines
  - Result: small farmers paid higher rates than large shippers
VII. Government Bridles the Iron Horse

- American people quick to respond to political injustice, but slow to combat economic injustice:
  - Dedicated to free enterprise and principle that competition is soul of trade
  - Cherished pride in progress
  - Remembered Jefferson’s hostility to government interference with business
  - Above all, “American dream”: hope that in catch-as-catch-can economic system, anyone might become a millionaire

VII. Government Bridles the Iron Horse (cont.)

- Under pressure from Grange (Patrons of Husbandry)—organized agrarian groups:
  - Many Midwestern legislatures tried to regulate railroads, but:
    - In *Wabash, St. Louis and Pacific Railroad Company v. Illinois* (1886):
      - Supreme Court decreed individual states had no power to regulate interstate commerce
      - If mechanical monster to be corralled, federal government would have to do it
    - Cleveland did not look kindly on effective regulation

VII. Government Bridles the Iron Horse (cont.)

- Epochal Interstate Commerce Act (1887):
  - Prohibited rebates and pools
  - Required railroads to publish rates openly
  - Forbade unfair discrimination against shippers
  - Outlawed charging more for short haul than long one over same line
  - Most important—set up Interstate Commerce Commission (ICC) to administer and enforce law
  - Despite acclaim, ICC Act not represent a popular victory over corporate wealth
VII. Government Bridles the Iron Horse (cont.)

- What ICC legislation did do was:
  - Provide orderly forum where competing business interests could resolve conflicts in peaceable ways
  - ICC Act tended to stabilize, not revolutionize, existing business system
  - Act still ranks as red-letter law:
    - First large-scale attempt by Washington to regulate business in interest of society at large
    - Heralded arrival of independent regulatory commissions:
      - Which commit government to monitoring private economy to protect public interest

VIII. Miracles of Mechanization

- Postwar industrial expansion:
  - 1860—Republic ranked fourth in world
  - 1894—Republic ranked first
- Why sudden upsurge:
  - Liquid capital, once scarce, now abundant
  - Word millionaire had not been coined until 1840s
  - 1861: only a handful of millionaires
  - Civil War profiteering created huge fortunes which combined with investments from foreign capitalists
  - Post-1865, massive foreign investment in U.S.A

VIII. Miracles of Mechanization (cont.)

- Most foreign investment went to private ventures, not public coffers
- Investors from Britain, followed by France, Germany, the Netherlands and Switzerland:
  - Owned all or part of an American business
  - Or they lent money to European companies that invested in U.S. industries
  - Either way Europeans content to let Americans run business—until hard times hit—then they demanded more say over company operations or government policies
VIII. Miracles of Mechanization (cont.)

• Innovations in transportation fueled growth:
  – Brought nation’s abundant resources—coal, oil, iron—to factory door
  – Shipping through Great Lakes carried rich iron deposits of Mesabi Range, Minnesota to Chicago and Cleveland for refining
    » Became cornerstone of vast steel empire
  – Copper, bauxite, and zinc made similar journeys from mine to manufacture
• Sheer size of American market encouraged innovators to invent mass-production methods:
  – Anyone, who could make appealing new product in large quantities and figure how to market it, thrived

VIII. Miracles of Mechanization (cont.)

– Industries continued to refine pre-Civil War “American System”—use specialized machinery to make interchangeable parts:
  » Culminated in Henry Ford’s fully moving assembly line for Model T (see Chap. 12 and Chap. 30)
– Captains of industry had major incentive to invent machines:
  » Replaced expensive skilled labor with cheap unskilled workers
  » Unskilled workers plentiful because of massive immigration

VIII. Miracles of Mechanization (cont.)

– Brilliant ideas gave rise to whole new businesses:
  • Between 1860-1890, some 440,000 patents issued
  • Business operations facilitated by cash register, stock ticker, typewriter
  • Refrigerator car, electric dynamo, and electric railway speeded urbanization
  • One of most ingenious inventions was telephone—Alexander Graham Bell, 1876:
    » Created gigantic communication network
    » Social impact when lure of “number please” took women away from stove to switchboard
VIII. Miracles of Mechanization (cont.)
• Most versatile inventor—Thomas Alva Edison (1847-1931):
  – Severe deafness enabled him to concentrate without distraction
  – Gifted tinkerer and tireless worker, not a pure scientist
  – Wondrous devices poured out of his “invention factory” in New Jersey—phonograph, mimeograph, dictaphone, and moving picture
  – Best known for his perfection in 1879 of electric lightbulb
    » Turned night into day and transformed human habits
    » People who slept average of 9 hours a night now slept just a bit more than 7

IX. The Trust Titan Emerges
• Most business leaders devised ways to circumvent competition:
  – Andrew Carnegie, steel king
    • Integrated every phrase of steel-making operation
    • His miners scratched ore from Mesabi Range
    • His ships floated it across Great Lakes
    • His railroads delivered it to factories at Pittsburgh
    • No other hands had touched it when metal poured into waiting ingot molds
IX. The Trust Titan Emerges (cont.)

• Carnegie pioneered creative entrepreneurial tactic of **vertical integration:**
  - Combine into one organization all phases of manufacturing from mining to marketing
  - Goal to improve efficiency by:
    » Making supplies more reliable
    » Control product quality at all stages of production
    » Eliminate middlemen’s fees

• John D. Rockefeller mastered technique of **horizontal integration:**
  » Allying with competitors to monopolize a market

IX. The Trust Titan Emerges (cont.)

• Perfected device for controlling rivals—the trust:
  - Stockholders in small oil companies assigned their stock to board of directors of Standard Oil Company (1870)
  - Standard Oil then consolidated operations of previously competing enterprises
  - Ruthlessly wielding vast power, Standard Oil cornered virtually entire world petroleum market
  - Inspired many imitators, and word trust used to describe any large-scale business combination

IX. The Trust Titan Emerges (cont.)

• J. Pierpont Morgan:
  - Devised other schemes to eliminate “wasteful” competition:
    • Depression of 1890s drove many businessmen, bleed by cutthroat competition, to Morgan:
      » His remedy was to consolidate rival enterprises
      » He placed officers of his own banking syndicate on various boards of directors—known as **interlocking directorates**
X. The Supremacy of Steel

- “Steel is king”: new steel civilization—from skyscrapers to coal shuttles
  - Steel making, esp. rails for railroads, typified dominance of “heavy industry” —
    - “capital goods” as opposed to “consumer goods”
  - Steel expensive in 1860s and 1870s:
    - Vanderbilt forced to import steel rails from Britain
    - By 1900, U.S.A. outdistanced all foreign competitors, making more than 1/3 of world’s steel

X. The Supremacy of Steel (cont.)

- What wrought transformation?
  - Bessemer process:
    - Invented in 1850s; a method of making cheap steel
    - First, William Kelly, a Kentucky manufacturer, developed “air blowing” technique on red-hot iron
    - Gradually Bessemer-Kelly process accepted
    - Two “crazy men” made present steel civilization possible
XI. Carnegie and Other Sultans of Steel

• Andrew Carnegie—kingpin steelmaster:
  – Gifted organizer and administrator:
    • Succeeded by picking high-class associates
    • Eliminated many middlemen
    • His partnership involved about 40 “Pittsburgh millionaires”
    • By 1900, he produced 3% of nation’s Bessemer steel:
      – Partners, pre-income tax days, divided profits of $40 million a year as take-home pay
      – “Napoleon of the Smokestacks” received $25 million

XI. Carnegie and Other Sultans of Steel (cont.)

• J. Pierpont Morgan: financial giant
  – Financed reorganization of railroads, insurance companies, and banks; he claimed:
    • “Money power” not dangerous, except in dangerous hands—and he did not regard his own hands as dangerous
  – Circumstances brought Morgan and Carnegie into collision:
    • By 1900, Carnegie ready to sell his holdings
    • Morgan meanwhile plunged heavily into manufacture of steel pipe tubing

XI. Carnegie and Other Sultans of Steel (cont.)

• Carnegie threatened to enter same business if Morgan did not meet his price
• Carnegie’s agents haggled with Morgan for eight hours until he agreed to buy Carnegie out for over $400 million
• Carnegie, fearing he would die “disgraced” with so much wealth, dedicated his remaining years to giving away money:
  » Public libraries, pensions for professors, and other philanthropic purposes
  » Gave away about $350 million
XI. Carnegie and Other Sultans of Steel (cont.)

• Morgan moved rapidly to expand new industrial empire:
  – Took Carnegie holdings, added others, “watered” stock liberally, and in 1901 launched enlarged United States Steel Corporation
  – Capitalized at $1.4 billion—America’s first billion-dollar corporation:
    • Larger sum than total wealth of nation in 1800
    • Industrial Revolution had come into its own

XII. Rockefeller Grows an American Beauty Rose

• Emergence of oil industry—one of most striking developments before/after Civil War:
  – In 1859 first well in Pennsylvania—Drake’s Folly” poured out liquid “black gold”
    • Kerosene, derived from petroleum, first major product of infant oil industry
    • Oil industry soon boomed
    • By 1870s kerosene was America’s fourth most valuable export
XII. Rockefeller Grows an American Beauty Rose (cont.)

- What technology gives, technology takes away:
  - 1885: 250,000 Edison's electric light bulbs in use
  - 1900: 15 million
  - New light bulbs rendered kerosene obsolete just as kerosene had rendered whale oil obsolete
  - Oil might have remained shrinking industry but for invention of automobile:
    - By 1900 gasoline-burning internal combustion engine surpassed rival, steam and electricity, as superior means of automobile propulsion
    - Automobile age gave oil business new, long-lasting, and hugely profitable lease on life

XII. Rockefeller Grows an American Beauty Rose (cont.)

- Rockefeller came to dominate oil industry
  - In 1870, organized Standard Oil Company of Ohio:
    - Nucleus of great trust formed in 1882
    - Locating his refineries in Cleveland, he eliminated middlemen and squeezed out competitors
    - Rockefeller flourished in age of completely free enterprise
    - Operated "just to the windward of the law"
    - Pursued policy of rule or ruin
    - By 1877, controlled 95% of all oil refineries in U.S.A.
XII. Rockefeller Grows an American Beauty Rose (cont.)

- Rockefeller—"Reckafellow," as Carnegie once called him—showed little mercy
- Rockefeller’s oil monopoly did turn out superior product at relatively cheap price
- Achieved important economies by its large-scale methods of production and distribution
- Efficient use of expensive machinery and consolidation proved more profitable than ruinous price wars

XII. Rockefeller Grows an American Beauty Rose (cont.)

- Other trusts blossomed in sugar, tobacco, leather
  - Harvester trust amalgamated 200 competitors
  - Meat industry arose on western herds and kings—Gustavus Swift and Philip Armour
  - Untrustworthy trusts and "pirates" who captained them disturbingly new
  - Arrogant class of "new rich" elbowed aside traditional patrician families
XIII. The Gospel of Wealth

• Credited heavenly help:
  • "The good Lord gave me my money" — Rockefeller
  • Wealthy, entrusted with society's riches, had to prove themselves morally responsible according to "Gospel of Wealth" — Carnegie
  • Most defenders of capitalism relied on survival-of-the fittest theories of Herbert Spencer and William Graham
    – Social Darwinists argued individuals won their stations in life by competing on basis of natural talents

XIII. The Gospel of Wealth (cont.)

• Evolutionary proponents:
  – Spencer and Sumner likened to Charles Darwin who stressed adaptation of organisms
  – Based more on:
    • British laissez-faire economists David Ricardo and Thomas Malthus
      – Spencer, not Darwin, coined phrase "survival of the fittest"
      – "The millionaires are a product of natural selection" — Sumner

XIII. The Gospel of Wealth (cont.)

• Self-justification by wealthy involved contempt for poor:
  – Russell Conwell became rich by delivering lecture "Acres of Diamonds" thousands of times
  – Plutocracy took its stand on Constitution:
    • Clause that gave Congress sole jurisdiction over interstate commerce a godsend to monopolists
    • Giant trusts also sought refuge behind Fourteenth Amendment
XIII. The Gospel of Wealth (cont.)

- Courts ingeniously interpreted a corporation to be a legal "person"
- Therefore it cannot be deprived of its property by a state without "due process of law" (see Amendment XIV, para, 1 in Appendix)
- Giant industrialists incorporated in "easy states," like N.J., where restrictions on big business mild or nonexistent

XIV. Government Tackles the Trust Evil

- Masses of people began to mobilize against monopoly:
  - First tried to control trusts through state legislatures
  - After failure, forced to appeal to Congress:
    - Sherman Anti-Trust Act (1890):
      - Forbade combinations in restraint of trade, without any distinction between "good" trusts and "bad" trusts
      - Bigness, not badness, was sin

XIV. Government Tackles the Trust Evil (cont.)

- Law proved ineffective, largely because contained legal loopholes
- Effective in one respect: contrary to original intent, used to curb labor unions or labor combinations deemed to be restraining trade
- Prosecution of trusts under Sherman Act (1890) neither vigorous nor successful
- More trusts formed in 1890s than during any other period
- Only after 1914 were paper jaws added to Sherman Act
XIV. Government Tackles the Trust Evil (cont.)

• Still iron grip of monopolistic corporations threatened
• New principles written into law by Sherman Anti-Trust Act as well as by Interstate Commerce Act
  – Private greed should be subordinated to public need

XV. The South in the Age of Industry

• Economic conditions of South:
  – 1900: South produced smaller percentage of U.S. manufactured goods than it had before Civil War
    • Plantation system degenerated into pattern of absentee landownership
    • White and black sharecroppers tilled soil for share of crop
    • Or became tenants, in bondage to landlords who controlled needed credit and supplies

XV. The South in the Age of Industry (cont.)

• Southern agriculture:
  – Boosted when machine-made cigarettes replaced roll-your-own variety, and consumption increased
  – James Buchanan Duke:
    • Used new technology to mass-produce “coffin nails”
    • 1890: absorbed main competitors into American Tobacco Company
    • Showed such generosity to Trinity College, Durham, N.C., that trustees changed it to Duke University
XV. The South in the Age of Industry (cont.)

– South remained overwhelmingly rural
– “New South” booster Henry W. Grady:
  • Editor of Atlanta Constitution
  • Exhorted ex-Confederates to become “Georgia Yankees” and outplay North at commerce and industry
– Obstacles in path of southern industrialization:
  • Regional rate-setting systems imposed by northern-dominated railroad interests

– Railroads gave preferential rates to manufactured goods moving southward from North
– In opposite direction they discriminated in favor of southern raw materials
– Net effect—kept South in servitude to Northeast
– E.g.,—“Pittsburgh plus” pricing system in steel industry
– In manufacturing cotton textiles, South fared better (see Figure 24.2 and Figure 24.3)
– Textile mills proved to be mixed blessing to economically blighted South
– Cheap labor was South’s major attraction for investors
– Keeping labor cheap became almost a religion among southern industrialists
XV. The South in the Age of Industry (cont.)

- Mills took root in chronically depressed Piedmont region of southern Appalachia
- White rural southerners sought employment in company mill towns:
  - Entire families—“hillbillies” or “linheads”—worked from dawn to dusk
  - Paid half the rate of northern counterparts
  - Often received compensation in form of credit at company store, to which they were habitually in debt
  - Many saw employment in mills as salvation for destitute farm families
XVI. The Impact of the New Industrial Revolution on America

- Economic miracles:
  - Standards of living rose sharply
  - U.S. workers enjoyed more physical comforts than in other industrial nations
  - Cities mushroomed as factories demanded more labor and more immigrants arrived seeking jobs (see Map 24.2)
  - Federal authority now committed to decades of corporation curbing and "trust-busting"
- Very concept of time revolutionized:
  - Not by clock of nature but by factory whistle

XVI. The Impact of the New Industrial Revolution of America

- Most affected group was women
  - Propelled into industry by new inventions, they discovered new economic and social opportunities
  - "Gibson Girl" created by Charles Dana Gibson showed independent and athletic "new woman"
  - Most women workers toiled neither for independence nor for glamour but out of economic necessity
  - FACED LONG HOURS AND DANGEROUS CONDITIONS AS DID THEIR MATES AND BROTHERS
  - Earned less, as wages for "women's jobs" usually set below those for men's jobs
XVI. The Impact of the New Industrial Revolution in America

Machine age accentuated class division:
• "Industrial buccaneers" flaunted bloated fortunes
• Spouses displayed glittering diamonds
• Such extravagances evoked bitter criticism
• Some of it was envy
• Much arose from socialists and other radicals, some recent European immigrants
• Oligarchy of money demonstrated by fact that in 1900 about 10% of people owned 90% of nation's wealth

XVI. The Impact of the New Industrial Revolution in America

A nation of farmers and independent producers became a nation of wage-earners:
• In 1860, half of all workers self-employed
• By 1900, two of every three working Americans depended on wage
• With dependence on wages came vulnerability to swings of economy and whims of employer
• Fear of unemployment constant
• Reformers struggled to introduce a measure of security—job and wage protection, provision for temporary unemployment—into lives of workers

XVI. The Impact of the New Industrial Revolution in America

Strong pressures for increased foreign trade developed:
• Factories saturated domestic market
• International trade became cheaper, faster, and easier
• Flag follows trade, and empire tends to follow flag—a lesson America would soon learn
XVII. In Unions There Is Strength

- Workers did not share proportionately with employers
  - Workers became mere lever-puller in giant mechanism:
    - Individual originality and creativity stifled
    - Less value placed on manual labor
    - Now factory hands employed by corporation — depersonalized, bodiless, soulless and often conscienceless
  - Directors not know individual workers, and in fairness to stockholders, not inclined to engage in large-scale private philanthropy

XVII. In Unions There Is Strength (cont.)

- New machines displaced employees:
  - In long run, more jobs created
  - Glutted market severely handicapped wage earners
  - Individual workers powerless to battle single-handedly giant corporations:
    - Corporation could dispense with individual worker much more easily than worker could dispense with corporation
    - Employers could pool vast wealth through thousands of stockholders
    - Retain high-priced lawyers
    - Buy up local press
XVII. In Unions There is Strength (cont.)

- Put pressure on politicians
- Import strikebreakers ("scabs")
- Employ thugs to beat up labor organizers

 Corporations had other weapons:
- Call on federal courts to issue injunctions ordering strikers to cease striking.
- If defiance and disorder ensued, company could request state and federal authorities send in troops.
- Employers could lock doors against rebellious workers—a "lockout"—and starve workers into submission.
- Compel workers to sign "ironclad oaths" or "yellow-dog contacts"—solemn agreements not to join labor unions.
XVII. In Unions There is Strength (cont.)

- Put names of agitators on “black list” and circulate it among fellow employers
- Often workers sank into perpetual debt to company stores
- Middle class, annoyed by strikes, grew deaf to outcry of workers:
  - Strikes seemed foreign and socialist; hence unpatriotic
  - Big business might combine into trusts to raise prices, but workers must not combine into unions to raise wages

XVIII. Labor Limps Along

- Labor unions boosted by Civil War:
  - Lost of human life drained labor supply
  - Mounting cost of living provided incentive to unionize
  - By 1872 several hundred thousand workers had organized
  - 32 national unions, representing such crafts as bricklayers, typesetters, and shoemakers
XVIII. Labor Limps Along
(cont.)

- **National Labor Union:**
  - Organized in 1866, represented giant bootstrade by workers
  - One of first national-scale unions to form:
    - Aimed to unify workers across locales and trades to challenge ever more powerful employers
    - Lasted six years and attracted impressive total of some 600,000 members:
      - Including skilled, unskilled, and farmers
      - Excluded Chinese; made only nominal efforts to include women and blacks

- **Colored National Labor Union:**
  - Their support for Republican Party and persistent racism of white unionists prevented two national unions from working together
  - National Labor Union called for:
    - Arbitration of industrial disputes
    - Eight-hour workday
    - Won latter for government workers
    - Union crippled by depression of 1870s

- **Knights of Labor:**
  - Seized torch dropped by National Labor Union:
    - Officially known as Noble and Holy Order of the Knights of Labor
    - Began in 1869 as secret society, with private ritual, passwords, and special handshake
    - Secrecy, which continued until 1881, forestalled reprisals by employers
    - Sought to include all workers in “one big union”
      - Skilled and unskilled, whites and blacks, men and women
XVIII. Labor Limps Along (cont.)

• Sought only to bar “Nonproducers:”
  – Liquor dealers, professional gamblers, lawyers, bankers, and stockbrokers
• Refused to enter politics
• Campaigned for economic and social reform:
  – Producers’ cooperatives
  – Codes for safety and health
  – Frowned on industrial warfare while fostered industrial arbitration
  – Waged determined campaign for eight-hour day

XVIII. Labor Limps Along (cont.)

• Under leadership of Terence V. Powderly:
  – Won a number of strikes for eight-hour day
  – After Knights staged successful strike against Jay Gould’s Wabash Railroad in 1885:
    • Membership mushroomed to about three quarters of a million

XIX. Unhorsing the Knights of Labor

– Got involved in number of May Day strikes, 1886
  – About half failed
  – Focal point was Chicago with 80,000 Knights

• Haymarket Square episode:
  – Labor disorders had broken out
  – On May 4, 1886 police advanced on meeting called to protest alleged brutalities by authorities
  – Suddenly a bomb thrown, killing or injuring several dozen people, including police
  – Hysteria swept Chicago:
    – Eight anarchists arrested because preached incendiary ideas; charged with conspiracy
XIX. Unhorsing the Knights of Labor (cont.)

- Five sentenced to death
- Other three were given stiff prison terms
  - Agitation for clemency mounted
- John Altgeld elected governor in 1892:
  - After Altgeld studied Haymarket case exhaustively, he
    pardoned three survivors
  - Violent abuse showered on Altgeld by conservatives
  - Praised by those who thought men innocent
  - Altgeld defeated for reelection

XIX. Unhorsing the Knights of Labor (cont.)

- Haymarket Square bomb helped blow props from under Knights:
  - Had been associated with anarchists
  - Their strikes met with scant success
- Another fatal handicap of Knights was inclusion of skilled and unskilled workers:
  - Unskilled labor could be easily replaced by “Scabs”
  - Craft unionists couldn’t be replaced so readily
    - Hence they enjoyed better bargaining position

XIX. Unhorsing the Knights of Labor (cont.)

- Skilled workers sought refuge in American Federation of Labor:
  - A federation of exclusively skilled craft unions
- Desertion of skilled craft unionists dealt Knights body blow:
  - By 1890s, down to only 100,000 members who gradually fused with other protest groups
XX. The AF of L to the Fore

— Elitist American Federation of Labor: 1886
  • Largely brainchild of Samuel Gompers
  • Had been a cigar maker
  • Elected president of AF of L every year except one from 1886 to 1924
  • American Federation of Labor was—a federation:
    — An association of self-governing national unions
      △ Each independent, with AF of L unifying overall strategy
      △ No individual laborer could join central organization

XX. The AF of L to the Fore (cont.)

— Gompers adopted down-to-earth approach:
  ▪ Soft-pedaled attempts to engineer sweeping social reform
  ▪ Bitter foe of socialism, he shunned politics for economic strategies and goals
  ▪ Had no quarrel with capitalism:
    — Demanded fairer share for labor
    — All he wanted, he said, was “more”
  ▪ Promoted what he called “pure and simple” unionism:
    — Better wages, hours, and working conditions
XX. The AF of L to the Fore
(cont.)

- One of his major goals was “trade agreement” authorizing closed shop—or all-union labor
- Chief weapons were walkout and boycott
  - AF of L established on solid, but narrow ground:
    - Fell short of representing all workers
    - Composed of skilled craftsmen—carpenters, bricklayers:
      - Left unskilled laborers, including women and blacks, to fend for themselves

XX. The AF of L to the Fore
(cont.)

- Weathered panic of 1893
- By 1900, a membership of 500,000
- Critics referred to it, with questionable accuracy, as “the labor trust”

  - Labor conditions:
    - Labor disorders continued, more than 23,000 strikes 1881-1900
    - Disturbances involved 6,610,000 workers, with total loss to employers and employees of $450 million
    - Strikers lost about half of strikes; won or compromised remainder

XX. The AF of L to the Fore
(cont.)

- Gravest weakness of organized labor was it embraced only small minority of all working people—about 3% in 1900

  - Attitude toward labor changing:
    - Public conceding right of workers to organize:
      - To bargain collectively and to strike
    - Labor Day made a holiday by Congress in 1894
    - A few industrialists saw wisdom of bargaining with unions to avoid strikes
    - Vast majority of employers continued to fight organized labor
XX. The AF of L to the Fore (cont.)

- Nothing handed to unions on a silver platter
- Still some time before labor gained position of relative equality with capital
- If age of big business had dawned, age of big labor still some distance over horizon