


Chapter 24

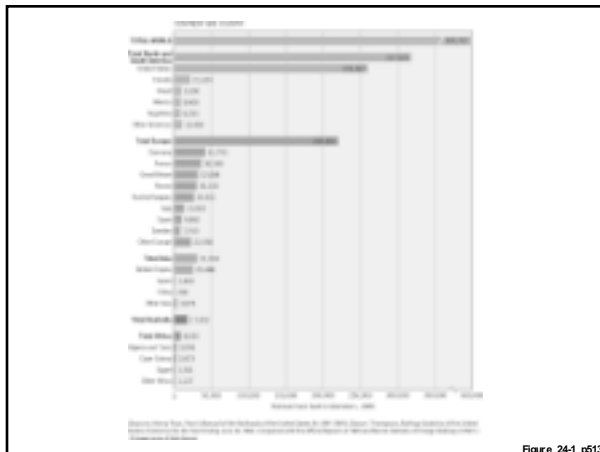
Industry Comes of Age, 1865–1900

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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—for total area larger than Texas (see Map 24.1)
 - Land grants given in broad belts along proposed railroad route
 - Within these belts, railroads could chose *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-dragging 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
 - Bribe congressmen to look other way

II. Spanning the Continent with Rails (cont.)

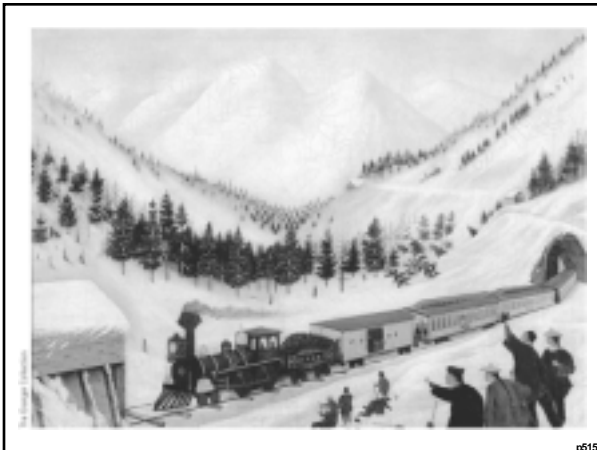
– Construction work:

- 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



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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 rail line'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



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VI. Wrongdoing in Railroading (cont.)

– 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.)

- Industrials 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 $\frac{1}{4}$ 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 rivals, 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

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

- 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

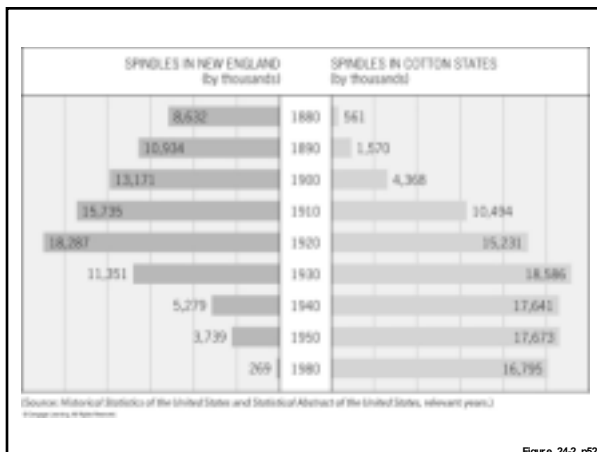
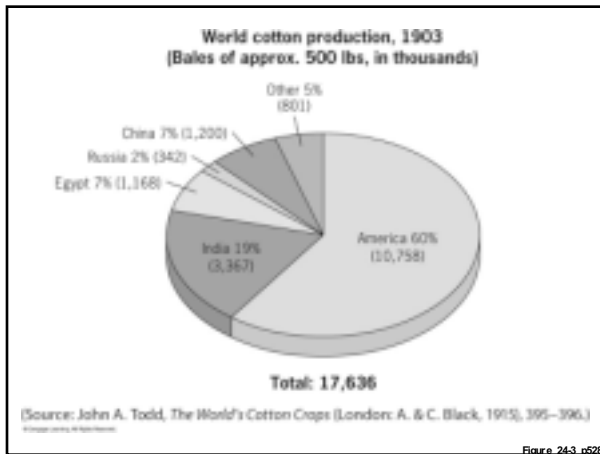


Figure 24.2 p527



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 “lintheads”—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

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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

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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 contracts"—solemn agreements not to join labor union



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 socialistic; 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 bootstride 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

XVIII. Labor Limps Along (cont.)

- **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

XVIII. Labor Limps Along (cont.)

- **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

CHRONOLOGY

1840 Congress authorizes transcontinental railroad	1879 Edison invents electric light
1846 National Labor Union organized; first meeting transatlantic telegraph cable	1881 Pigeon Square tenement; Holmes case; American Federation of Labor formed
1849 Transcontinental railroad project near Ogden, Utah; Knights of Labor organized; Iron Canal completed	1887 Interstate Commerce Act
1876 Standard Oil Company organized	1890 Sherman Anti-Trust Act
1878 Bell invents telephone	1890 United States Steel Corporation formed

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