

INDUSTRIAL GROWTH OF THE U.S.

1. Growth of Industrialization----1865 to 1900

♦ Why? *Factors in place*

♦ *Railroad industry*

- ♦ Distribution System
- ♦ Symbol of growth
- ♦ Government assists industry ---- 1860 to 1880

♦ *laissez faire* economy

- ♦ Laws to promote industry:

♦ *Morrill Tariff of 1861*

♦ *National Banking Act of 1863*

♦ *Morrill Act of 1862*

♦ *Land grants to railroads*

♦ Rise of Industrialists or Entrepreneur

♦ *Andrew Carnegie----steel*

♦ *John Rockefeller----oil*

Captains of Industry
or Robber Barons

Source:
Industrialization

♦ *Cornelius Vanderbilt---railroad*

♦ *New types of businesses*

♦ *vertical integration*

♦ *horizontal integration*

- ♦ created monopolies---"trusts"

♦ *philanthropists*

♦ Government regulates Business 1880 to 1900

♦ *Robber Barons*

♦ *Problem:* monopolies eliminating competition

- ♦ 1st US laws to regulate business

♦ *Interstate Commerce Act*

♦ *Sherman Anti-Trust Act*

♦ Response of Industrialists

- ♦ US govt. should not interfere with competition

♦ *defend laissez faire*

♦ *Social Darwinism*

- ♦ 14th Amendment

♦ Inventions and inventors

♦ *Thomas Edison-----Alexander Graham Bell*

♦ New stores

2. Response to Industrial Growth

♦ Rise of *Labor Unions*----Why?

- ♦ 3 main labor unions

♦ Strikes and labor disputes

♦ *Eugene Debs*

♦ *Great Railroad Strike--1877*

♦ *Haymarket Riot--1886*

♦ *Homestead Strike--1892*

♦ *Pullman Strike--1894*

Source: US Govt regulation

ROBBER BARRONS

Extortion: Forced against your will

♦ *Rebates:* discount or refund on "freight charges"

♦ *Drawbacks / Kickbacks:* Standard Oil gave certain railroads all its shipping business if it agreed to charge Standard Oil 25% to 50% less than its competitors

♦ *Buyouts:* Larger corporations forced smaller businesses to sell out

♦ *Congress* was "bought out" by the monopolies

♦ *Spies:* Stealing your competitor's ideas

***Small businesses
complained "monopolies"
eliminated fair competition***

1st LAWS TO REGULATE BIG BUSINESS

Granger State Laws

State representatives voted into office by members of the Grange who in turn represented the interests of farmers and passed state laws regulating railroad prices in 18 states.

Munn v. Illinois (1876)

Supreme Court decision stating that states had the ability to regulate private property if it affected public interest.

Wabash Case (1886)

Declared that it was unconstitutional for states to regulate interstate commerce. Showed need for Federal regulation of interstate commerce.

1st LAWS TO REGULATE BIG BUSINESS

Interstate Commerce

These are the first laws to *regulate* industry and big business.

♦ *Congress passed Interstate Commerce Act (ICC).*

To regulate means the US Government would make laws to oversee, adjust, fine tune and correct the unfair business tactics in industry and big business. Not take over or control it because that would violate *laissez faire*.

Sherman Antitrust Act (1890)

♦ In 1890, Congress passed a law which made *trusts/monopolies* illegal or any business that prevented fair competition.

ENTREPRENEUR

A person who organizes, operates, and assumes the risk for a business venture



CAPTAINS OF INDUSTRY OR ROBBER BARONS

"Robber Barons"

- ❖ Business leaders built their fortunes by stealing from the public.
- ❖ They drained the country of its natural resources.
- ❖ They persuaded public officials to interpret laws in their favor.
- ❖ They ruthlessly drove their competitors to ruin.
- ❖ They paid their workers meager wages and forced them to toil under dangerous and unhealthful conditions.

"Captains of Industry"

- ❖ The business leaders served their nation in a positive way.
- ❖ They increased the supply of goods by building factories.
- ❖ They raised productivity and expanded markets.
- ❖ They created jobs that enabled many Americans to buy new goods and raise their standard of living.
- ❖ They also created museums, libraries, and universities, many of which still serve the public today.



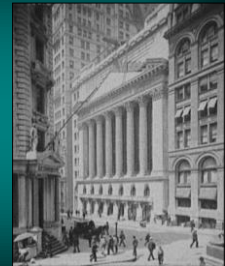
New Financial Businessman

The Broker:

★ J. Pierpont Morgan



Wall Street – 1867 & 1900



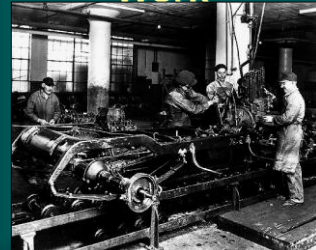
The Reorganization of Work



Frederick W. Taylor

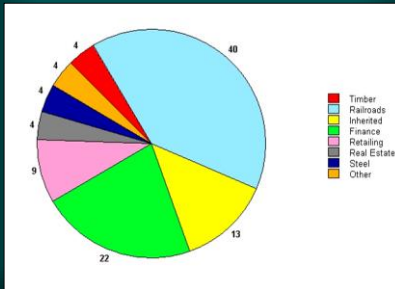
The Principles of Scientific Management (1911)

The Reorganization of Work

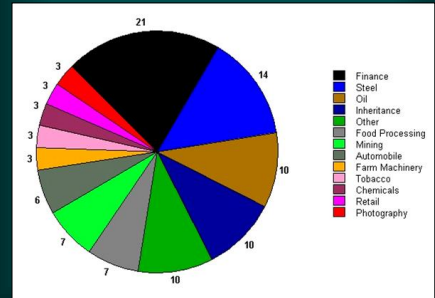


The Assembly Line

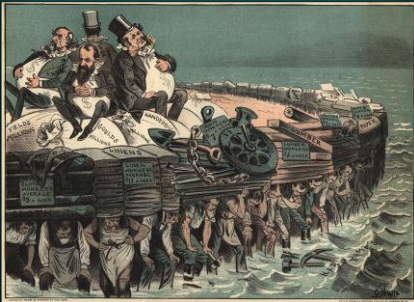
% of Billionaires in 1900



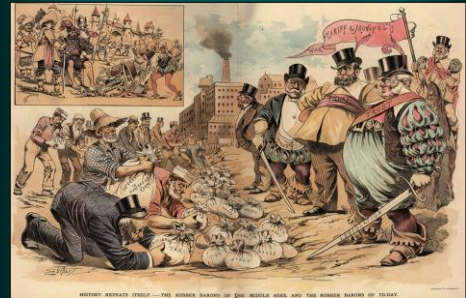
% of Billionaires in 1918



"The Protectors of Our Industries"



The "Robber Barons" of the Past

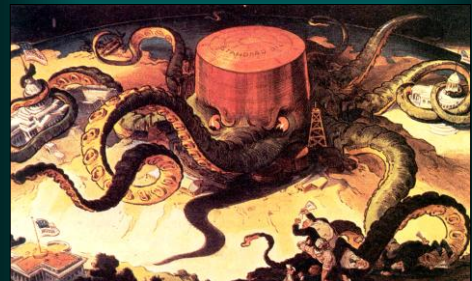


New Type of Business Entities

1. Pool
1887 → Interstate Commerce Act
→ Interstate Commerce Commission created.
2. Trust → John D. Rockefeller
★ Standard Oil Co.



Standard Oil Co.



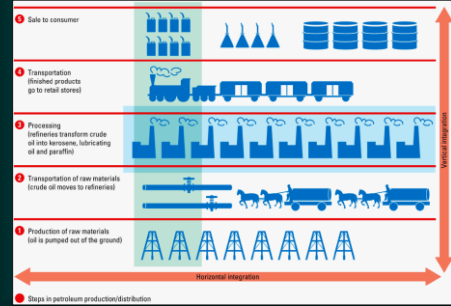
New Type of Business Entities

2. Trust:

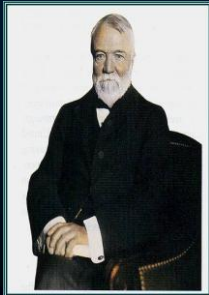
- * **Horizontal Integration** → John D. Rockefeller
- * **Vertical Integration:**
 - A. Gustavus Swift → Meat-packing
 - B. Andrew Carnegie → U. S. Steel



New Type of Business Entities



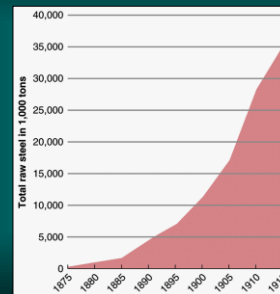
ANDREW CARNEGIE



Captain of Industry

- Monopolized the steel industry
- Rags to riches story---came from Scotland very poor.
- Used scientific ideas (**Bessemer Process**) to develop a better way to produce steel and sell a quality a product for an inexpensive price.
- Used **Horizontal integration**.

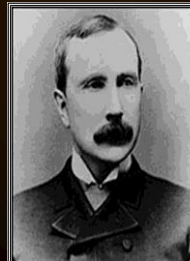
Iron & Steel Production



Industrial Consolidation: Iron & Steel Firms

	1870	1900
No. of firms	808	669
No. of employees	78,000	272,000
Output (tons)	3,200,000	29,500,000
Capital invested	\$121,000,000	\$590,000,000

JOHN ROCKEFELLER



Captain of Industry

- Came from a wealthy family
- Bought a substitute during the Civil War.
- Formed the first modern corporations in the oil industry **Standard Oil**
- Was the **first billionaire** in the U.S. by 1900.
- Used **Vertical Integration** and **Horizontal Integration** to gain a monopoly in the oil business.

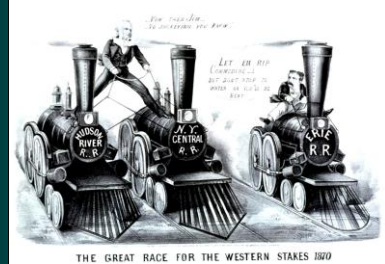
CONRELIUS VANDERBILT



- Formed a steamship company in 1829
- Dominated shipping along the Atlantic
- 1849 established steamship that carried people from New York to San Francisco in Gold Rush days
- Leading U.S. steamship owner, nicknamed "The Commodore"
- Gained control of the Hudson River Railroad

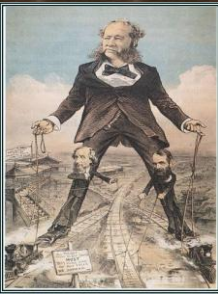


Cornelius ["Commodore"] Vanderbilt



Can't I do what I want with my money?

CONRELIUS VANDERBILT



- After Civil War Vanderbilt bought most railroad lines from New York to Chicago
- 1877, controlled 4,500 miles of railroads
- Worth over \$100 million
- **Philanthropist**—donated \$1 million to Vanderbilt University



PHILANTHROPY

The effort of an individual or organization to increase the well-being of humankind, as by charitable aid or donations.

ANDREW CARNEGIE



Philanthropist

- Gave millions to colleges and libraries.
- It was the sacred duty of the wealthy to give back to society who has given to him.
- Stressed education as a means to better one's self.
- Carnegie Hall

GOSPEL OF WEALTH

Andrew Carnegie (1835–1919) wrote in 1889, "The man who dies leaving behind him millions of available wealth, which was his to administer during life, will pass away 'unwept, unhonored, and unsung,' no matter to what uses he leaves the dross which he cannot take with him. Of such as these the public verdict will then be: 'The man who dies thus rich dies disgraced.'"

"On Wealth"



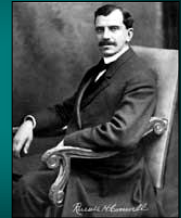
Andrew Carnegie

- The Anglo-Saxon race is superior.
- "Gospel of Wealth" (1889).
- Inequality is inevitable and good.
- Wealthy should act as "trustees" for their "poorer brethren."

The Gospel of Wealth:

Religion in the Era of Industrialization

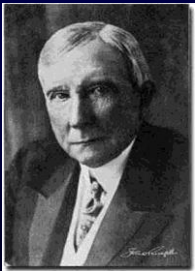
- § Wealth no longer looked upon as bad.
- § Viewed as a sign of God's approval.
- § Christian duty to accumulate wealth.
- § Should not help the poor.



Russell H. Conwell

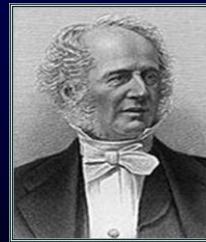
JOHN ROCKEFELLER

Philanthropist



- Gave millions of his money to hospitals and colleges.
- **University of Chicago**
- **Spelman College**
- **National Parks**
- **United Nations**
- **Williamsburg**
- **Cancer Research**

CONRELIUS VANDERBILT



- Worth over \$100 million
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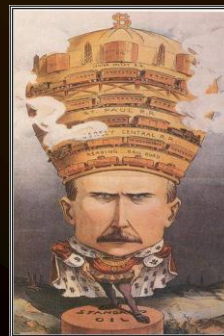
ROBBER BARRONS

Extortion: Forced against your will

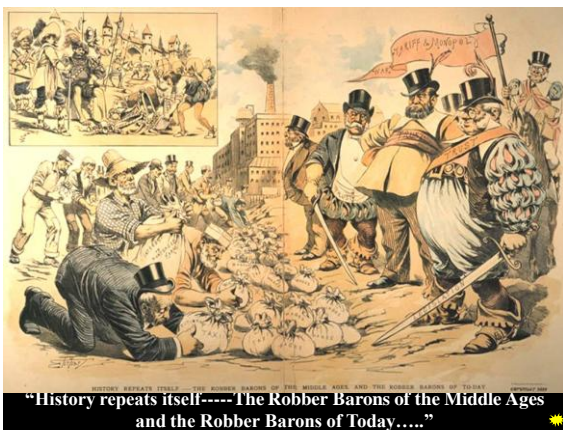
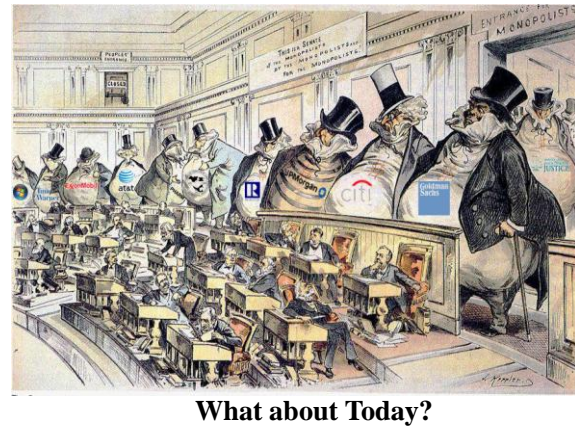
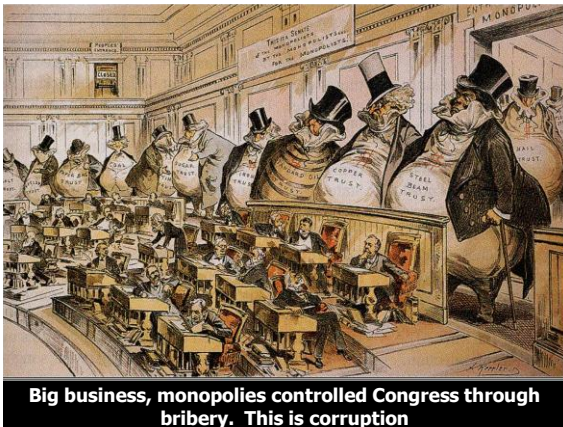
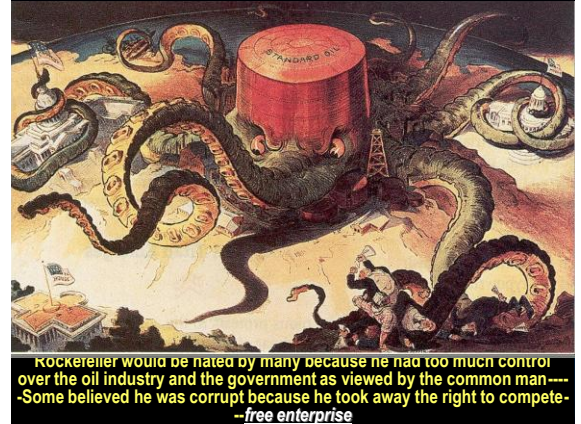
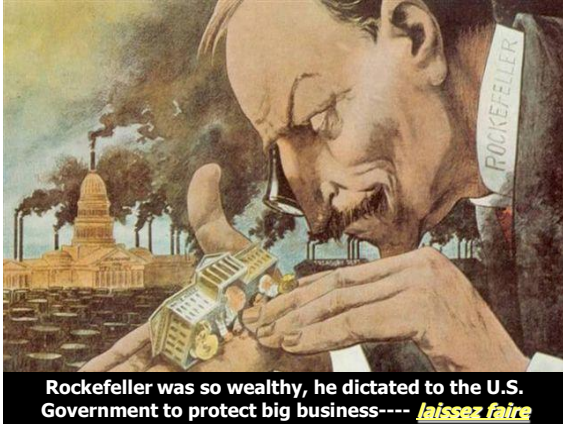
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- **Buyouts:** Larger corporations forced smaller businesses to sell out
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Small businesses complained "monopolies" eliminated fair competition

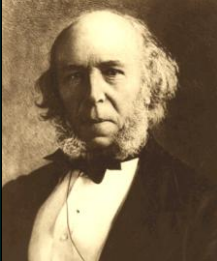
JOHN ROCKEFELLER



- Controlled the railroad by forcing them to pay him **rebates** because of the volume of business he gave them.
- Was called "**Rock a Fellow**" by many
- Ruthless business man: "**Pay no man a profit**"

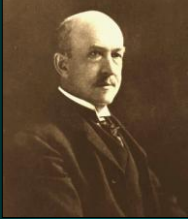


Social Darwinism



- British economist, Herbert Spencer.
- Advocate of *laissez-faire*.
- Adapted Darwin's ideas from the "Origin of Species" to humans.
- Belief that there was a natural upper class and lower class.
- "Survival of the fittest"

2. Social Darwinism in America



William Graham Sumner
Folkways (1906)

- § Individuals must have absolute freedom to struggle, succeed or fail.
- § Therefore, state intervention to reward society and the economy is futile!

Social Darwinism

Belief that in the economic world the strongest companies will survive

“The growth of a large business is merely a survival of the fittest.”

J. Rockefeller

Social Darwinism

•Social Darwinists believed that companies struggled for survival in the economic world and the government should not tamper with this natural process.

•The fittest **business leaders** would survive and would improve society.

•Belief that hard work and wealth showed God's approval and those that were poor were lazy and naturally a lower class.

SOCIAL DARWINISM

1. All living things have always competed for survival. Survival of the fittest.

2. All living things have evolved over millions of years as a result of genetic changes.

3. Some plants and animals developed traits that helped them survive.

1. Every human activity **individuals compete** for success.

2. The unfit or incompetent lose and the strong or competent win.

3. These winners make up a natural upper class.

4. Hard worked paid off, and lazy were inferior.

New Business Culture: “The American Dream?”

3. Protestant (Puritan) “Work Ethic”
* Horatio Alger [100+ novels]



Is the idea of the “self-made man” a MYTH??

14th AMENDMENT Rights of Citizens

“All persons born in the U.S. are citizens of this country and the state they reside in. No state shall make or enforce any law which deprives any person of life, liberty, or property, without due process of law, nor deny to any person within its jurisdiction to the equal protection of the laws.”

Industrialists would use the 14th Amendment as a way to defend a corporation from the Sherman Anti-Trust Act.

WORKER VS EMPLOYER

"The old familiar relations between employer and employee were passing. A few generations before, the boss had known every man in his shop. He called his men by their first names, asked about the family and swapped jokes and stories with them. Today, you have large factories, the personal touch is gone!"

Theodore Roosevelt

"IMPERSONALIZATION"

INDUSTRIALIZATION

Poor working conditions

• Unfriendliness/impersonalization

• Immigrants taking jobs

Decrease work day

• Machines replacing workers

Child labor

• Job security

WORKING FAMILIES

- ✦ In the 1880s, children made up more than **5 percent** of the industrial labor force.
- ✦ Children often left school at the age of 12 or 13 to work.
- ✦ Girls sometimes took factory jobs so that their brothers could stay in school.
- ✦ If an adult became too ill to work, children as young as 6 or 7 had to work.
- ✦ Rarely did the government provide public assistance, and unemployment insurance didn't exist.
- ✦ The theory of Social Darwinism held that poverty resulted from personal weakness.
- ✦ Many thought that offering relief to the unemployed would encourage idleness.

THE WORK ENVIRONMENT

Division of Labor

- ❖ Some owners viewed workers as parts of the machinery.
- ❖ Unlike smaller and older businesses, most owners never interacted with workers.
 - **impersonalization**

Work Environment

- ❖ Factory workers worked by the clock.
- ❖ Workers could be fired for being late, talking, or refusing to do a task.
- ❖ Workplaces were not safe.
- ❖ Children performed unsafe work and worked in dangerously unhealthy conditions.
- ❖ In the 1890s and early 1900s states began legislating child labor.

Industrial millionaires were condemned in the Populist platform of 1892

The fruits of the toil of millions are boldly stolen to build up colossal fortunes for a few...and the possessors of these, in turn despise the Republic and endanger liberty. From the same prolific womb of government injustice we breed the two great classes---tramps and millionaires.

TWO DIFFERENT WORLDS



The wealthy would manifest itself in an elite class of Americans who lived **extravagant lifestyles**. Many common people resented their snobbish attitudes and wealth. In some respects, there was a **caste system** in the U.S.

1861-----3 millionaires-----1900-----3,800

By 1900, 90% of the wealth in the U.S. was controlled by 10% of population.

LABOR UNIONS	
Labor Union	Workers who organize against their employers to seek better wages and working conditions for wage earners.
Labor Strike	The unions' method for having their demands met. Workers stop working until the conditions are met. It is a very effective form of attack.
Boycott	People refuse to buy a company's product until the company meets demands.
Scab Worker	New immigrants who would replace strikers and work for less pay. Often violence would erupt between strikers and scabs who were trying to cross picket lines to work.

LABOR UNIONS	
Closed Shop	A working establishment where only people belonging to the union are hired. It was done by the unions to protect their workers from cheap labor.
Black List or Black Balled	List of people disliked by business owners because <u>they were leaders in the Union</u> . Often would lose their jobs, beaten up or even killed.
Collective Bargaining	Type of negotiation between an employer and labor union where they sit down face to face and discuss better wages, etc.
Yellow Dog Contracts	A written contract between employers and employees in which the employees sign an agreement that they will not join a union while working for the company

LABOR UNIONS	
Lock Out	Owner of industry would "lock out" workers who were trying to form a union and replace them with "scabs".
Cooperatives	Industry or business organization owned by and operated for the benefit of those using its services—non-profit

LABOR UNIONS		
National Labor Union <ul style="list-style-type: none"> •William Sylvis, 1866 •Skilled, unskilled, farmers but excluded Chinese... •Cooperatives, 8 hr. work day, against labor strikes •Founded a political party in 1872 •Involved in the <u>Chinese Exclusion Act</u>. •Lost election, faded away •Replaced by Knights of Labor. 	Knights of Labor <ul style="list-style-type: none"> •Terrence Powderly •All workers except Chinese •8 hr. day, cooperatives, prohibition, end child labor •Several strikes won some wage gains 1885 to 1886 •Unrealistic and vague goals •Loss of important strikes and failure of cooperatives •Haymarket Riot—1886 	American Federation of Labor or AFL <ul style="list-style-type: none"> •Samuel Gompers, 1881 •Skilled workers in separate unions. •Work within political system for change. •Closed shop and collective bargaining •Over 1 million workers joined and won several strikes •Small part of work force eligible to join.

Reaction of Employers

Employers hated & feared unions. Why?

- ❖European influences of socialism
- ❖Labor strikes always tended to be violent.

Some took steps to stop unions, such as:

- ❖forbidding union meetings
- ❖firing union organizers
- ❖Owner of industry would "lock out" workers who were trying to form a union and replace them with "scabs".
- ❖Scab workers: Employers would hire immigrants to replace strikers and work for less pay. Often violence would erupt between strikers and scabs who were trying to cross picket lines to work.
- ❖refusing to recognize unions as their workers' legitimate representatives

The Reverend Henry Ward Beecher (1813–1887) of Brooklyn, the most distinguished (and notorious) clergyman of the era after the Civil War, said,

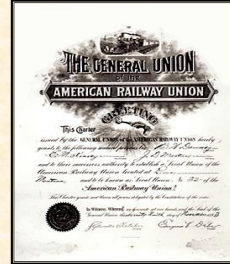
"The trade union, which originated under the European system, destroys liberty. I do not say a dollar a day is enough to support a working man, but it is enough to support a man. Not enough to support a man and five children if a man insists on smoking and drinking beer."

EUGENE DEBS



- ❖ Founder of the Socialist Party in the U.S.
- ❖ Overthrow the existing laissez faire and capitalistic
- ❖ Believes in government ownership of business and capital (money, natural resources)
- ❖ Government controls production, sets wages, prices and distributes the goods. No profit or competition.
- ❖ Runs for the presidency several times.

Railroad Workers Organize



❖ The Great Railroad Strike of 1877

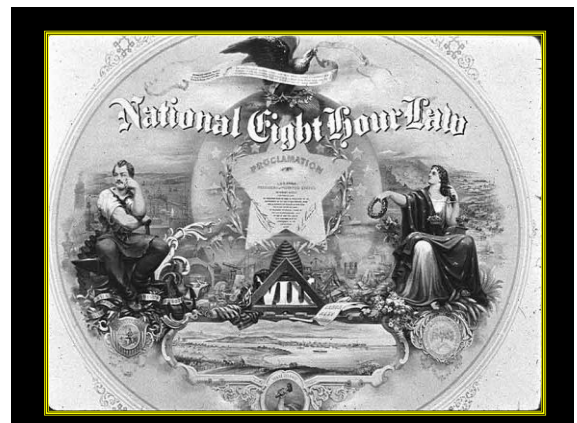
- Railway workers protested unfair wage cuts and unsafe working conditions.
- The strike was violent and unorganized.
- President Hayes sent federal troops to put down the strikes.
- From then on, employers relied on federal and state troops to repress labor unrest.

Railroad Workers Organize

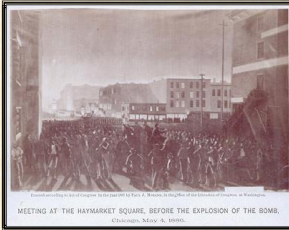


❖ Debs and the American Railway Union

- At the time of the 1877 strike, railroad workers mainly organized into various "brotherhoods," which were basically craft unions.
- Eugene V. Debs proposed a new industrial union for all railway workers called the American Railway Union (A.R.U.).
- The A.R.U. would replace all of the brotherhoods and unite all railroad workers, skilled and unskilled.



HAYMARKET RIOT



• May 3, 1886, joining a nation wide strike for an 8 work day Chicago workers protested against the McCormick Reaper plant.

• A riot broke out and Chicago police officers killed several protesters

• To protest the killing, protesters planned a rally for May 4

• 3,000 gather at Chicago's Haymarket Square

• During the protest, a bomb exploded

• 7 police officers were killed and civilians killed and injured

• Chicago police hunt down murderers

• 8 anarchists were convicted of conspiracy to murder

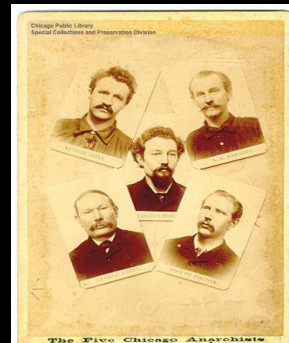
HAYMARKET RIOT

❖ 4 were hung and 1 committed suicide

❖ This caused the public to look down on labor unions especially the **Knights of Labor**

❖ Gov. Altgeld of Illinois later issued pardons for the remaining accused anarchists.

HAYMARKET RIOT



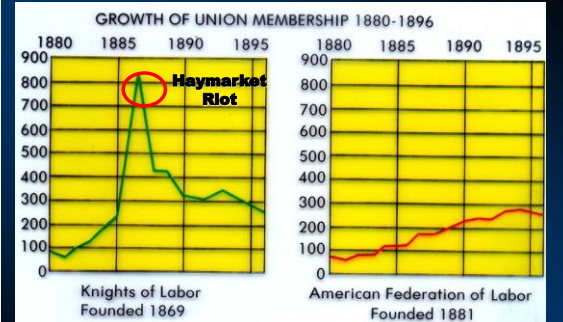
• The five men are clockwise from 1:00 o'clock:

- A. R. Parsons
- Adolph Fischer
- George Engel
- August Spies
- Louis Lingg (middle)

• The first four were hanged on Friday, November 11, 1887.

• Lingg committed suicide on November 10, 1887 by lighting a stick of dynamite in his mouth.

LABOR UNIONS



• Americans were suspicious of labor unions because they tended to go against laissez faire and capitalism. Labor strikes were often violent.

HOMESTEAD STRIKE



• 1892, Carnegie Steel workers strike over pay cuts

• Management locks out workers and hires scab workers.

• Violence erupted between strikers and scab workers.

• Pinkerton Security called in to settle violence

• Strikers ambush them and forced Pinkerton's to walk the gauntlet between striking families.

• Some killed and many injured

• National Guard was called in by the governor of Pennsylvania to stop violence and reopen plant

HOMESTEAD STRIKE

• Carnegie successfully broke up the attempt to organize a union.

• **No labor unions in steel industry until the 1920's.**

• Carnegie would be remembered for events at Homestead.

• **His public image suffered**

Strikes Rock the Nation

❖ Pullman, 1894

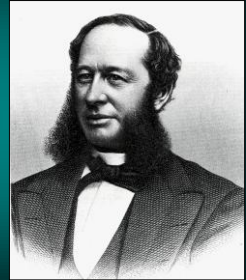
- Eugene Debs instructed strikers not to interfere with the nation's mail.
- Railway owners turned to the government for help. The judge cited the Sherman Antitrust Act and won a court order forbidding all union activity that halted railroad traffic.
- Court orders against unions continued, limiting union gains for the next 30 years.



William Vanderbilt

§ *The public be damned!*

§ *What do I care about the law? H'aint I got the power?*



Regulating the Trusts

1877 → *Munn. v. IL*

1886 → *Wabash, St. Louis & Pacific Railroad Company v. IL*

1890 → **Sherman Antitrust Act**
* in "restraint of trade"
* "rule of reason" loophole

1895 → *US v. E. C. Knight Co.*