

Industry Comes of Age

1865 - 1900

Industrial Changes in the Late 1800s

- Great men drawn to industry, not politics
 - US became an industrial giant under their leadership
 - Lives of workers transformed in the process

The Iron Colt Becomes an Iron Horse

- 1865 – 1900 – railroad lines increased
 - 35,000 miles to 192,000 miles
 - Much of the new track was west of the Mississippi

The Iron Colt Becomes an Iron Horse

- Government gave railroad subsidies in land to help offset the risk
 - Building railroads in West, profits would not come for years, when settlers came to the area
 - The 2 companies that built the transcontinental railroad given generous loans at low interest
 - Railroads given land on both sides of the track in alternate (checkerboard) pattern (with railroads and government alternating ownership of checkerboards)
 - 155 million acres given away by federal government
 - 49 million acres given away by state government
 - Railroads used land as collateral for loans or sold it for money (average of \$3 per acre)

Federal Land Grants to Railroads



The Iron Colt Becomes an Iron Horse

- 1887 – Cleveland opened settlement of all unclaimed public land in land-grant areas
 - Railroads were allowed to choose the best land along their tracks
 - Railroads had incentive to stop settlement as long as possible
 - The longer railroads waited to choose which land they would take, the more valuable the land became

The Iron Colt Becomes an Iron Horse

- Justifying the giveaway of the land
 - Government got long-term lower rates for postal services and military traffic
 - Cheap way to subsidize railroads, without passing new taxes or directly giving away cash
 - Railroads increased value of government's land also
 - Railroads brought civilization to the West
 - Cities fought for railroads to pass through them

Spanning the Continent with Rails

- 1850s – North and South had fought over transcontinental railroad through their section
- 1861 – South seceded
- 1862 – Congress passed funding to begin construction of railroad through northern route

Spanning the Continent with Rails

- Union Pacific Railroad began during Civil War from Omaha, Nebraska
 - Incentive during Civil War to bind California to the Union
 - For each mile of track laid railroad received
 - 20 square miles of land (in alternating 640-acre sections) on both sides of track
 - Generous federal loans (more money for track laid over mountainous areas)

Spanning the Continent with Rails

- Construction on the Union Pacific Railroad increased after war ended
 - 1870s – Crédit Mobilier construction company got huge profits
 - \$50 million worth of construction, but \$73 million spent meant that \$23 million disappeared
 - Bribed congressmen to prevent investigation
 - Many Irish immigrants worked on railroad
 - When Indians attacked (protecting their land), railroad builders would fight them off
 - Many workers and Indians died in these fights
 - Workers relaxed in tents with prostitutes and performers

Irish Rail Workers in Nevada, 1869



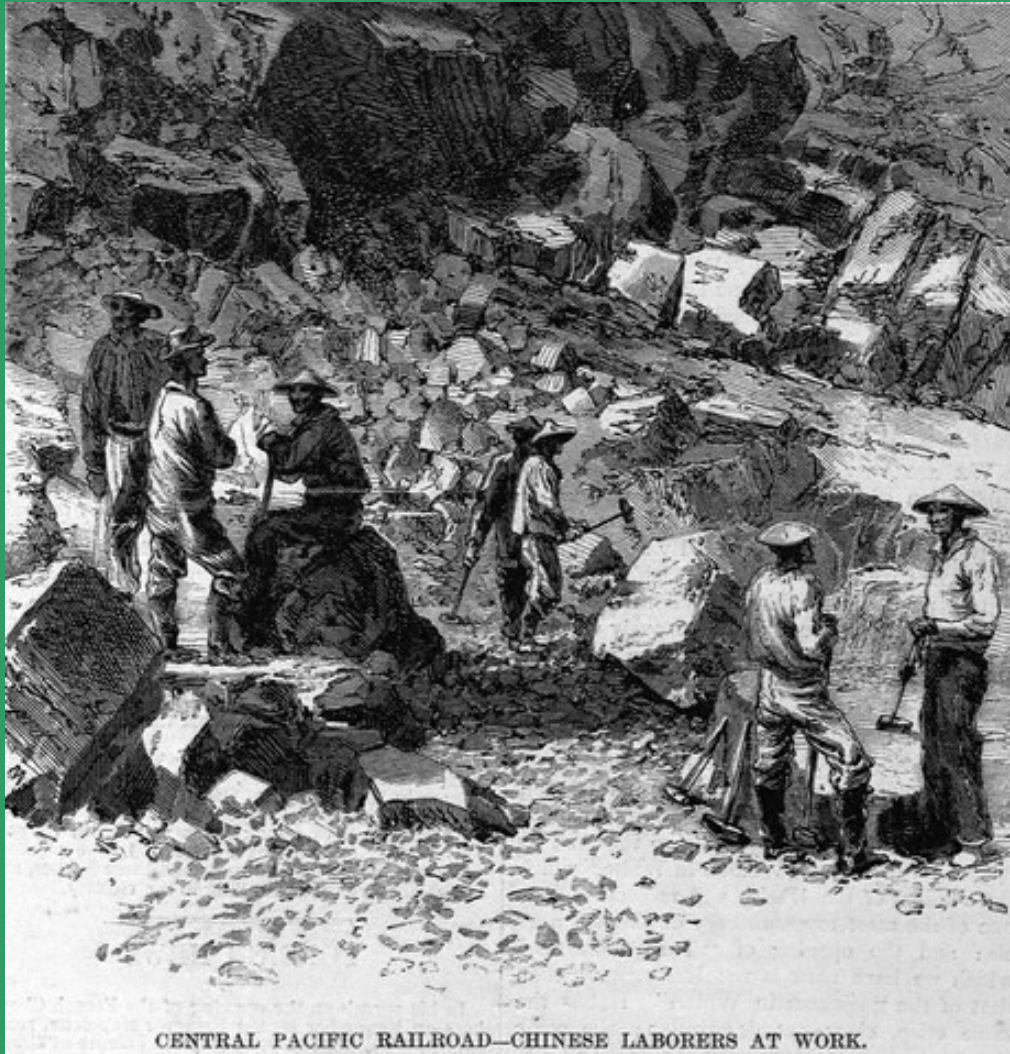
Spanning the Continent with Rails

- Central Pacific Railroad construction began from Sacramento, California
 - Pushed across Sierra Nevada mountains
 - Promoters (the Big Four) financed construction
 - Made millions of dollars, but did not bribe congressmen to get favors
 - Given same subsidies from government as Union Pacific

Spanning the Continent with Rails

- Building the Central Pacific
 - 10,000 Chinese workers provided cheap, dependable labor
 - Sierra Nevada mountains were huge obstacle to overcome
 - Blasting through mountains only moved a few inches a day; hundreds of workers killed in accidents

Chinese Workers on the Central Pacific Railroad



Spanning the Continent with Rails

- May 10, 1869 – Union Pacific (from east) and Central Pacific (from west) met at Promontory Point, Utah
 - Union Pacific had built 1,086 miles of track; Central Pacific had built 689 miles
 - Golden spike driven into ground while workers and owners celebrated

Promontory Point, Utah

May 10, 1869



Spanning the Continent with Rails

- Importance of the transcontinental railroad
 - Amazing engineering accomplishment
 - Tied California to Union
 - Expanded trade with Asia (because goods from Asia could be shipped to more populous East and goods from East could be shipped to California for shipment to Asia)
 - Expanded growth of West

Binding the Country with Railroad Ties

- 4 more transcontinental railroads built in late 1800s
 - All 4 received land from government except Great Northern
 - Northern Pacific Railroad, from Lake Superior to Puget Sound (Seattle)
 - Atchison, Topeka and Santa Fe, from Kansas to California
 - Southern Pacific, from New Orleans to San Francisco
 - The Great Northern, from Duluth, Minnesota to Seattle
 - Well-organized and well-run railroad that got through downturns that destroyed other railroads
 - Helped make farmers (and other customers) profitable, so railroad would be profitable

Railroad Growth Between 1870 - 1890



Binding the Country with Railroad Ties

- Waste in railroad construction
 - Lines sometimes built to nowhere (either because of speculation or to get tracts of land from government)
 - Mismanaged lines went bankrupt, losing investors' money

Railroad Consolidation and Mechanization

- Organizing the railroad lines
 - Cornelius Vanderbilt organized and expanded the New York Central line, helping western lines to transport goods east
 - Steel rail were stronger, could carry heavier load than iron
 - Distance between the 2 tracks (gauge) standardized
 - Westinghouse air brake
 - Pullman Palace Cars
 - Luxurious travel cars
 - Safety devices
 - Telegraph for communication
 - Double-tracking (so railroads weren't going opposite directions on same tracks)
 - Block signal (which prevented 2 trains going opposite directions from being on same block of track at same time)

Revolution by Railways

- Railroads physically united the United States
 - Huge domestic market for raw materials and manufactured goods created
 - Huge market brought in foreign and domestic investors and entrepreneurs to create huge new businesses

Revolution by Railways

- Railroads led to much greater level of industrialization
 - Opened up new markets for manufactured goods; brought raw materials to factories
 - Building the railroads alone caused huge orders for steel

Revolution by Railways

- Railroads stimulated mining and agriculture
 - Spread farmers in West
 - Brought agriculture and mining products to be sold in East
 - Brought manufactured goods west to be sold to farmers and miners

Revolution by Railways

- Railroads increased populations of western cities
 - Carried food and supplies to cities in West
 - Gave western people in cities jobs, transporting raw materials to eastern markets

Revolution by Railways

- Railroads stimulated immigration
 - Advertised in Europe for immigrants to come and buy their land grants
 - Sometimes even offered free transportation to immigrants' farms

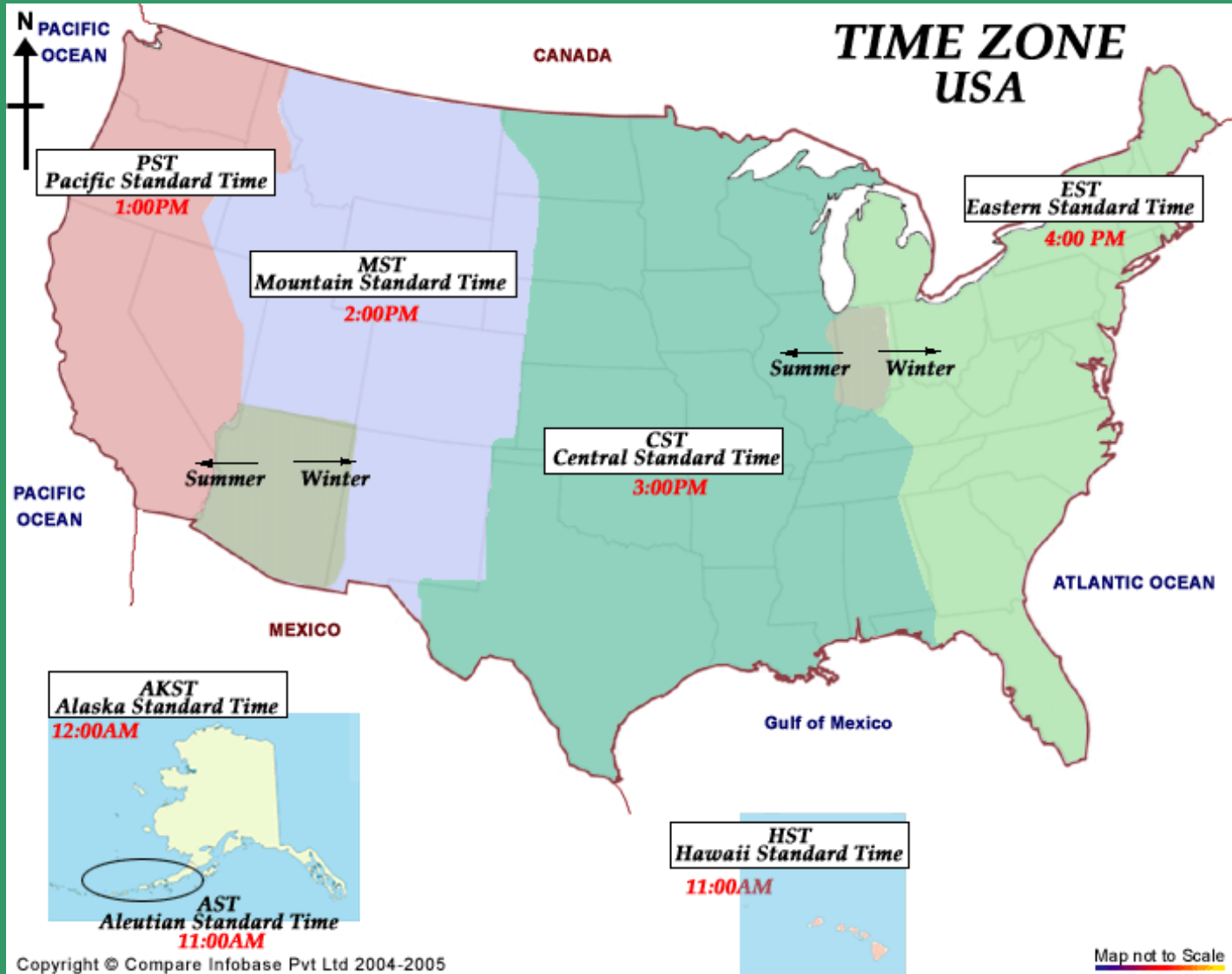
Revolution by Railways

- Environmental impact of the railroads
 - Especially harmful to Louisiana Purchase area (Midwest US)
 - Corn, wheat, cattle-grazing, hunting and destroying buffalo, and cutting down trees

Revolution by Railways

- Railroad time
 - Until 1880s, each town had its own local time, based on the position of the sun
 - Small differences in time made it extremely difficult to make railroad schedules
 - 1883 – railroads agreed that the US would be divided into 4 time zones

Time Zones in the US



Revolution by Railways

- Railroads allowed a few to accumulate huge amounts of wealth
 - Bankers, entrepreneurs, stock speculators

Wrongdoing in Railroading

- Potential for huge amounts of wealth and lead to crooked schemes
 - Crédit Mobiler was the earliest
 - Schemes became more complicated and less obvious, but just as dishonest, after Crédit Mobiler
 - Jay Gould was most famous railroad speculator, making millions in unethical profits

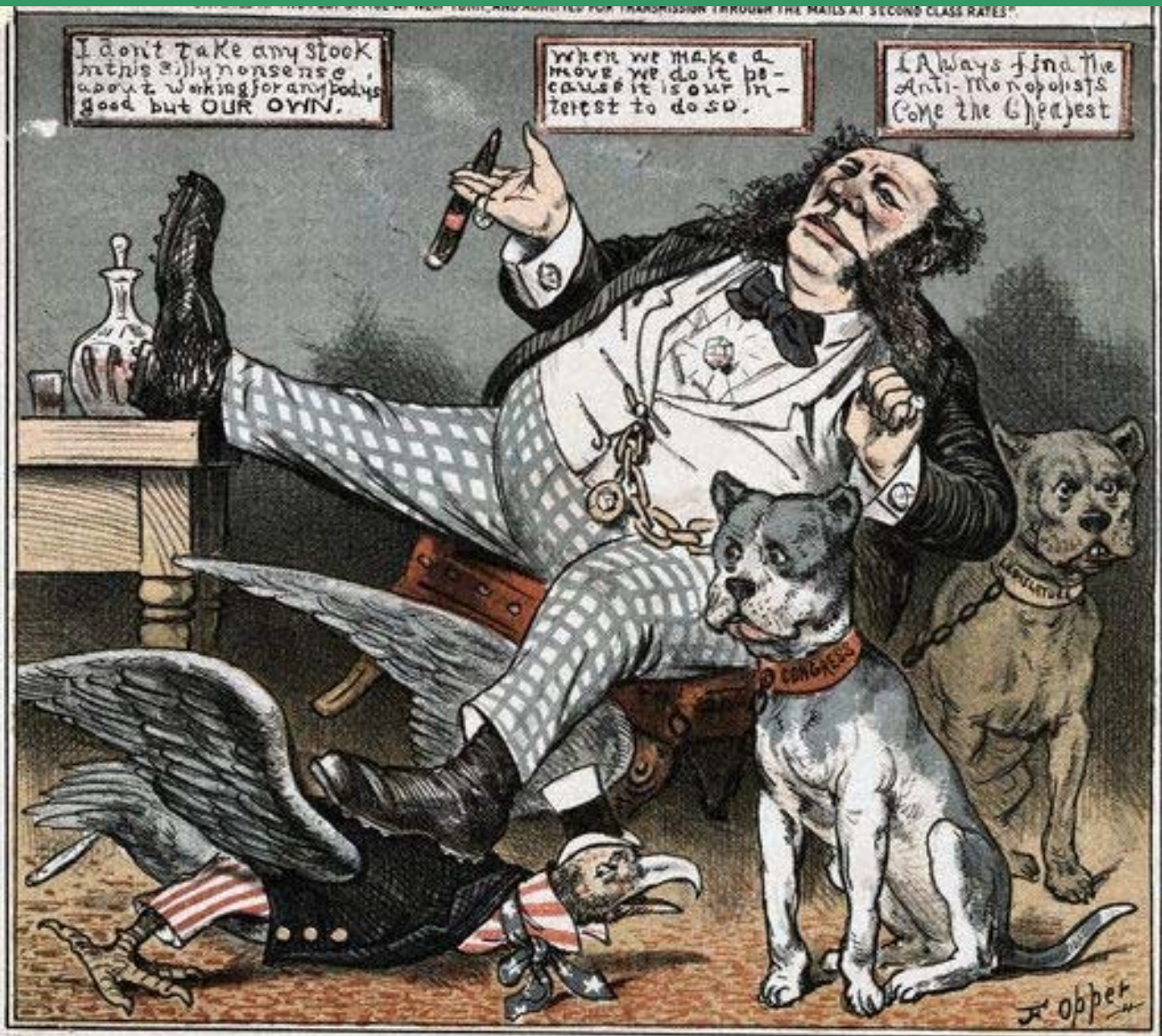
Wrongdoing in Railroading

- Stock watering
 - Sellers of stock would make wild claims about value of a company, selling the stock far beyond what it was worth
 - Railroad managers then forced to charge extremely high rates and fight ruthlessly competitive battles with rival railroads to try and make the railroad worth what the stocks said it was on paper

Wrongdoing in Railroading

- Abusing the public interest
 - Ignored laws
 - Fought for monopolistic control of lines so they could charge high rates
 - “The public be damned.” (William H. Vanderbilt)

“The Public Be Damned!”



“THE PUBLIC BE DAMNED!”

Wrongdoing in Railroading

- Buying and selling of public officials
 - Judges and legislatures bribed
 - Lobbyists used to influence government
 - Sometimes elected their own supporters (their “creatures”) to public office
 - Gave free passes to journalists and politicians to avoid criticism or investigation

The Bosses of the Senate



THE BOSSES OF THE SENATE

Wrongdoing in Railroading

- Railroads worked to restrict competition by cooperating with each other
 - Goal was to keep profits high for investors
 - Pools
 - Agreement to divide the business of a certain area and share the profits
 - Rebates or kickbacks
 - Given to large shippers to gain steady traffic on lines
 - Lowered profit made up by charging higher prices for short hauls or to small shippers than for long hauls for large shippers

History Repeats Itself - The Robber Barons of the Middle Ages and the Robber Barons of Today



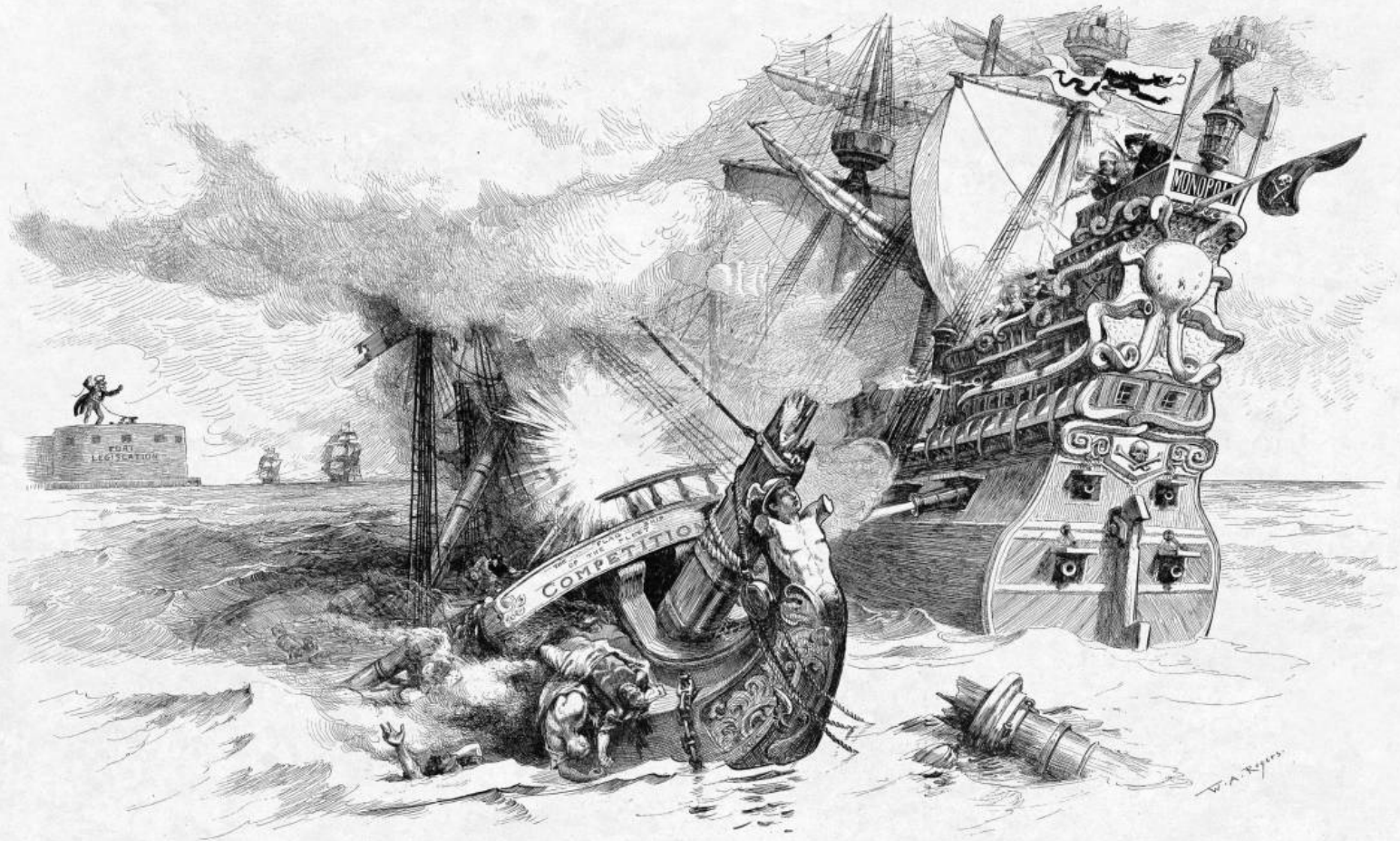
HISTORY REPEATS ITSELF. — THE ROBBER BARONS OF THE MIDDLE AGES, AND THE ROBBER BARONS OF TO-DAY.

The Modern Buccaneers

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HARPER'S WEEKLY.

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THE MODERN BUCCANEERS.

Government Bridles the Iron Horse

- Americans slow to use governmental force to combat economic injustice
 - Most believed in free enterprise and competition
 - Generally opposed to using government to correct economic problems

Government Bridles the Iron Horse

- American farmers in the Midwest most hurt by railroad abuses
 - Depression in 1870s finally moved farmers to protest railroad abuses
 - Farmers (led by organized farmers' groups like the Grange) worked at state level to regulate railroads

Government Bridles the Iron Horse

- 1886 – Wabash v. Illinois
 - Supreme Court ruled that states could not regulate interstate (between states) commerce
 - Effect of Wabash decision was to nullify state laws regulating railroads
 - Only federal government could regulate interstate commerce; federal government would have to regulate railroads

Government Bridles the Iron Horse

- 1887 – Interstate Commerce Act passed by Congress
 - Prohibited rebates and pools
 - Required railroads to publish rates openly
 - Stopped unfair discrimination against shippers
 - Prohibited charging more for short hauls than long hauls
 - Interstate Commerce Commission (ICC) set up to enforce the law

Government Bridles the Iron Horse

- ICC was not a victory over corporate wealth and power
 - Gave corporations a way to resolve their conflicts without resorting to brutal, costly rate wars
 - Prevented state legislatures from confiscating railroad assets as revenge for years of abuse
 - Stabilized, not revolutionized the corporate-dominated business system

Government Bridles the Iron Horse

- Corporation lawyer Richard Olney, on the ICC
 - The commission “can be made of great use to the railroads. It satisfies the popular clamor [demand] for a government supervision of railroads, at the same time that such supervision is almost entirely nominal...The part of wisdom is not to destroy the Commission, but to utilize it.”

Government Bridles the Iron Horse

- ICC was still important
 - First large-scale attempt by federal government to regulate business in interests of society
 - First of a series of regulatory commissions that monitored and regulated the private economy
 - Beginning of the end for wild, unrestricted businesses operating against (or indifferent to) the public interest

Miracles of Mechanization

- What caused massive postwar manufacturing expansion in US?

Miracles of Mechanization

- Liquid capital had been scarce, now was plentiful
 - Class of entrepreneurs (through profiteering during Civil War) amassed huge fortunes that (with foreign capital) was invested

Miracles of Mechanization

- Huge amount of natural resources in US used
 - Coal, oil, iron

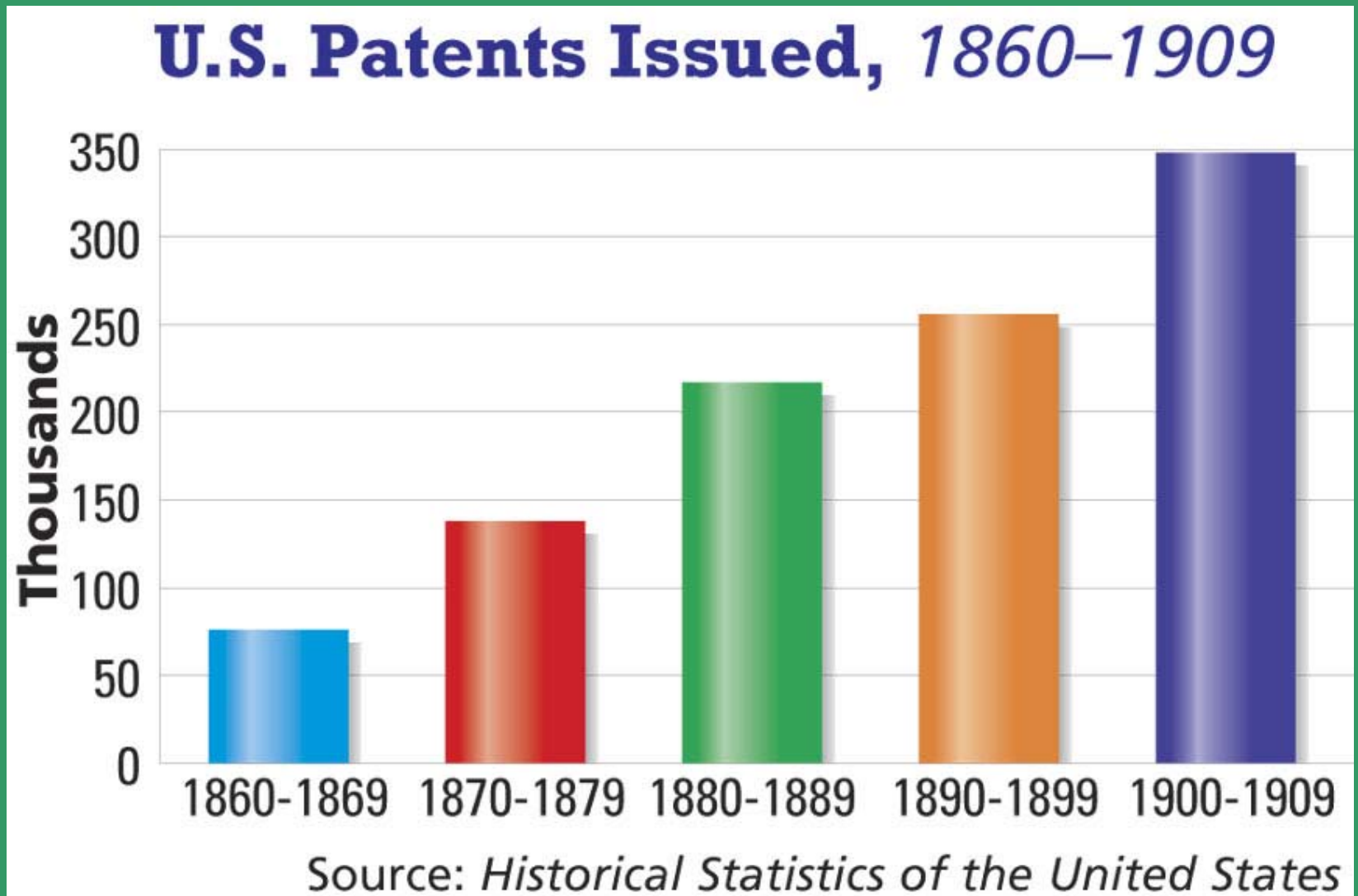
Miracles of Mechanization

- Massive immigration
 - Provided cheap and plentiful unskilled labor

Miracles of Mechanization

- American ingenuity and inventiveness
 - Techniques of mass production perfected by entrepreneurs
 - 440,000 patents issued between 1860 and 1890
 - Business organization facilitated by cash register, stock ticker, typewriter
 - Urbanization speeded by refrigerator car, electric dynamo (for generating electricity), electric railway

US Patents Issued, 1860 - 1909



Miracles of Mechanization

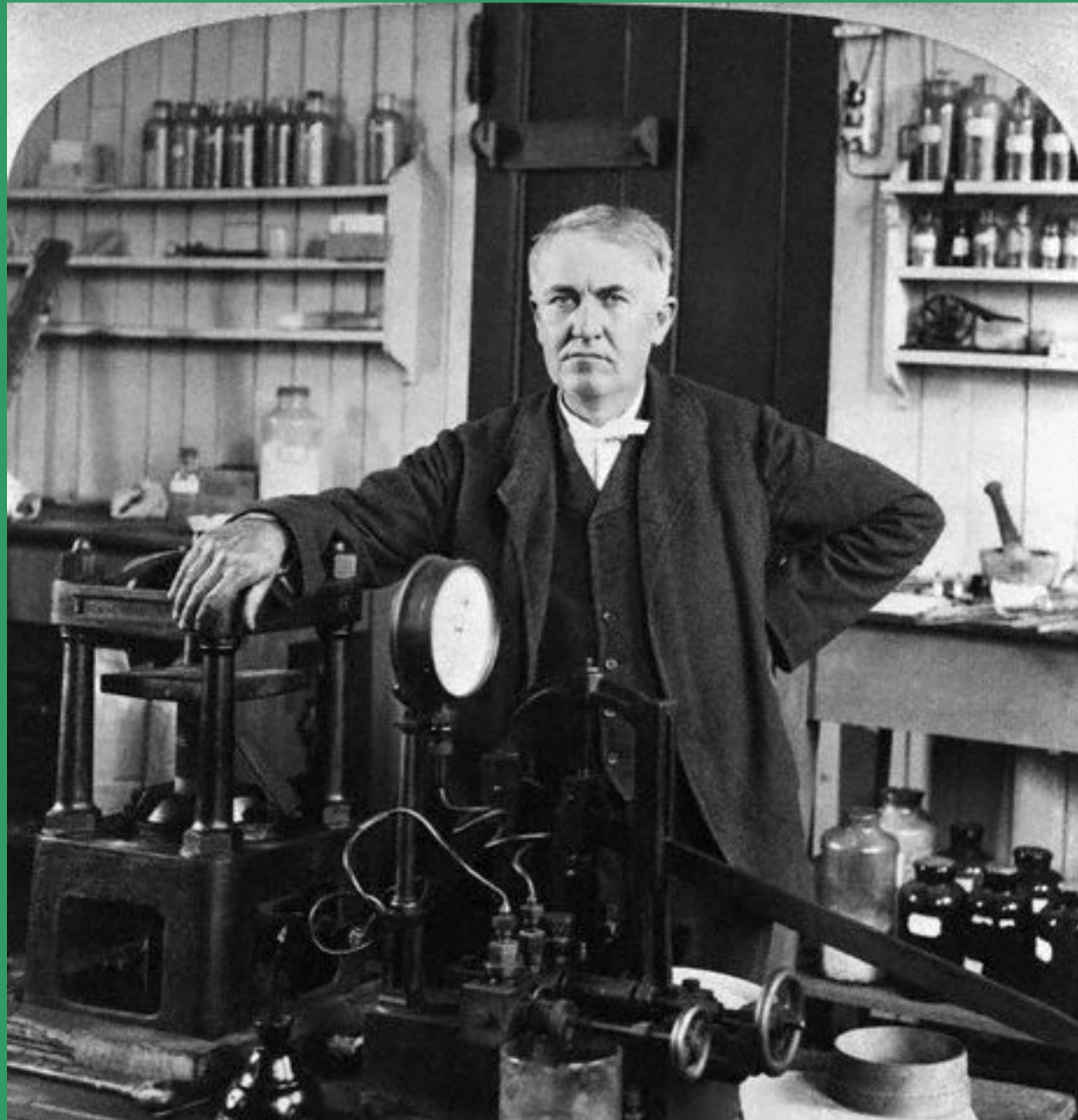
- The telephone
 - Invented by Alexander Graham Bell in 1876
 - Brought nationwide, rapid communication to America
 - Brought women to work as operators on switchboards
 - Men had at first been used, but profanity and rudeness led to women being used

Alexander Graham Bell and His Telephone



Miracles of Mechanization

- Thomas Alva Edison
 - Deafness allowed him to work and concentrate without distraction
 - Invented through tinkering and trial-and-error; did not make discoveries through pure scientific research
 - Invented phonograph, mimeograph, dictaphone, moving picture, and (most famously) the light bulb



**Thomas
A.
Edison
in His
Lab**

The Trust Titan Emerges

- Business leaders of the late 1800s spoke on favor of competition and free enterprise
- In reality, they did everything they could to restrict competition to protect profits

The Trust Titan Emerges

- Vertical integration
 - Combining into 1 organization all phases of manufacturing
 - Provided manufacturers with more reliable supplies, more control over quality, and eliminated middlemen's fees
 - Best exemplified by Andrew Carnegie's steel corporation, in which every part of making steel integrated into 1 company

Vertical Integration



The Trust Titan Emerges

- Horizontal integration
 - Allying with competitors to monopolize a given market
 - Trust used by Rockefeller to control rivals in the oil industry
 - Stockholders in smaller oil companies gave control of their stock to the board of Standard Oil Company
 - The board then controlled all “competing” companies in the industry
 - Smaller companies left out of the trust eliminated with ruthless competition
 - Businesses in other industries copied the trust system
 - “Trust” came to describe any large-scale business combination

Horizontal Integration

Horizontal Consolidation



**In the Hands
of His
Philanthropic
Friends**



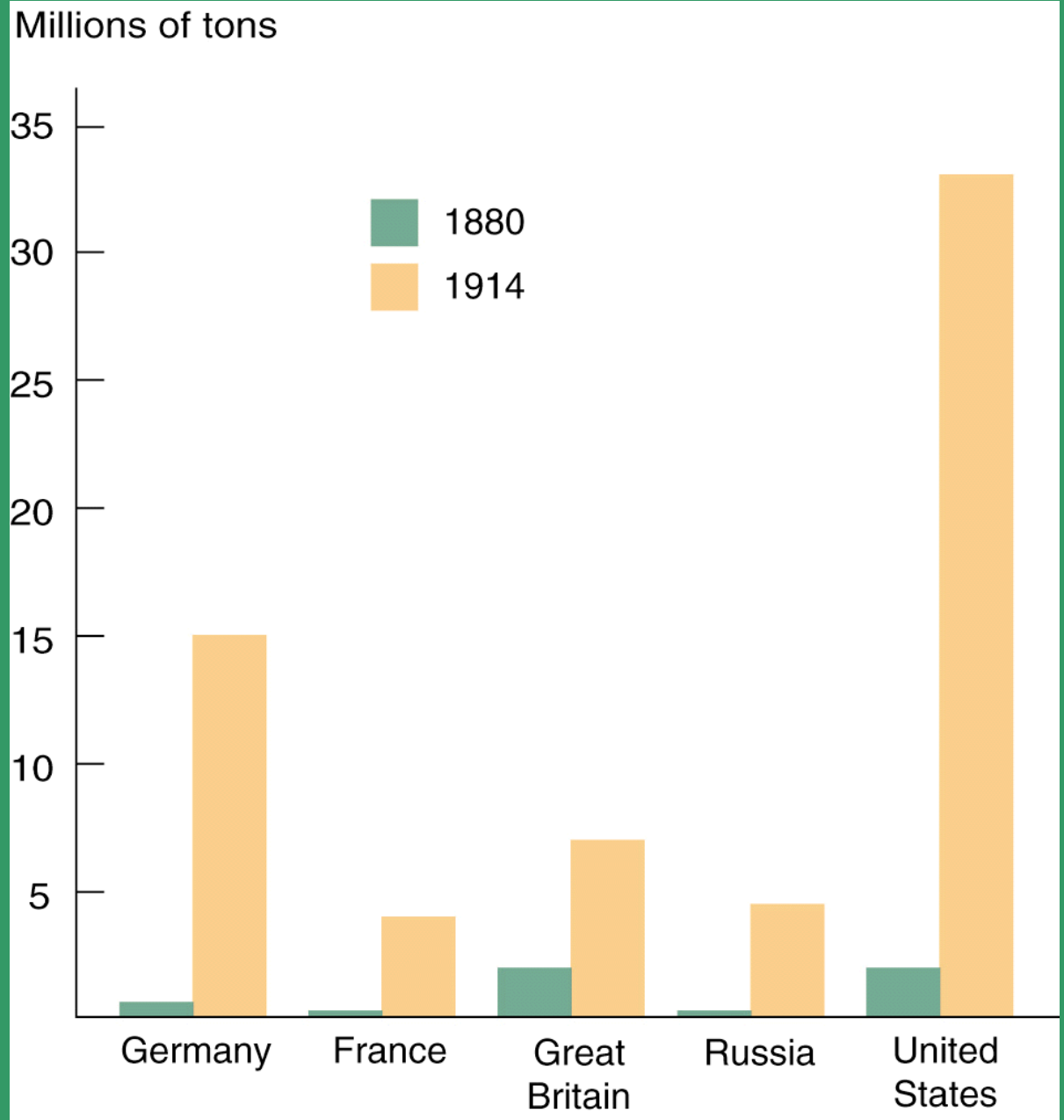
The Trust Titan Emerges

- Interlocking directorate
 - Devised by banker JP Morgan during depression in 1890s
 - Hurting companies were bought out by Morgan's banks
 - Morgan then put officers from his banks on boards of various “competing” companies to eliminate “wasteful” competition

The Supremacy of Steel

- Steel transformed America
 - Railroads, skyscrapers, industrial machinery
 - Typified new dominance of heavy industry making capital goods – goods used to make other goods (as opposed to consumer goods, sold directly to consumers)
 - At first (through the 1870s), steel was scarce, but by the 1890s US was leading producer of steel in the world

International Steel Production, 1880-1914



The Supremacy of Steel

- How US became leading steel producer in the world
 - Bessemer process
 - Named after a British man who was credited with the discovery, although an American (William Kelly) had discovered it first
 - Cold air blown on very hot iron ignited carbon in the ore and burned out the impurities
 - Made possible cheap production of high-quality steel
 - America had important natural resources close together
 - Coal (for fuel), iron ore, other important ingredients
 - Abundant labor supply
 - Important entrepreneurs and industrialists

Bessemer Process

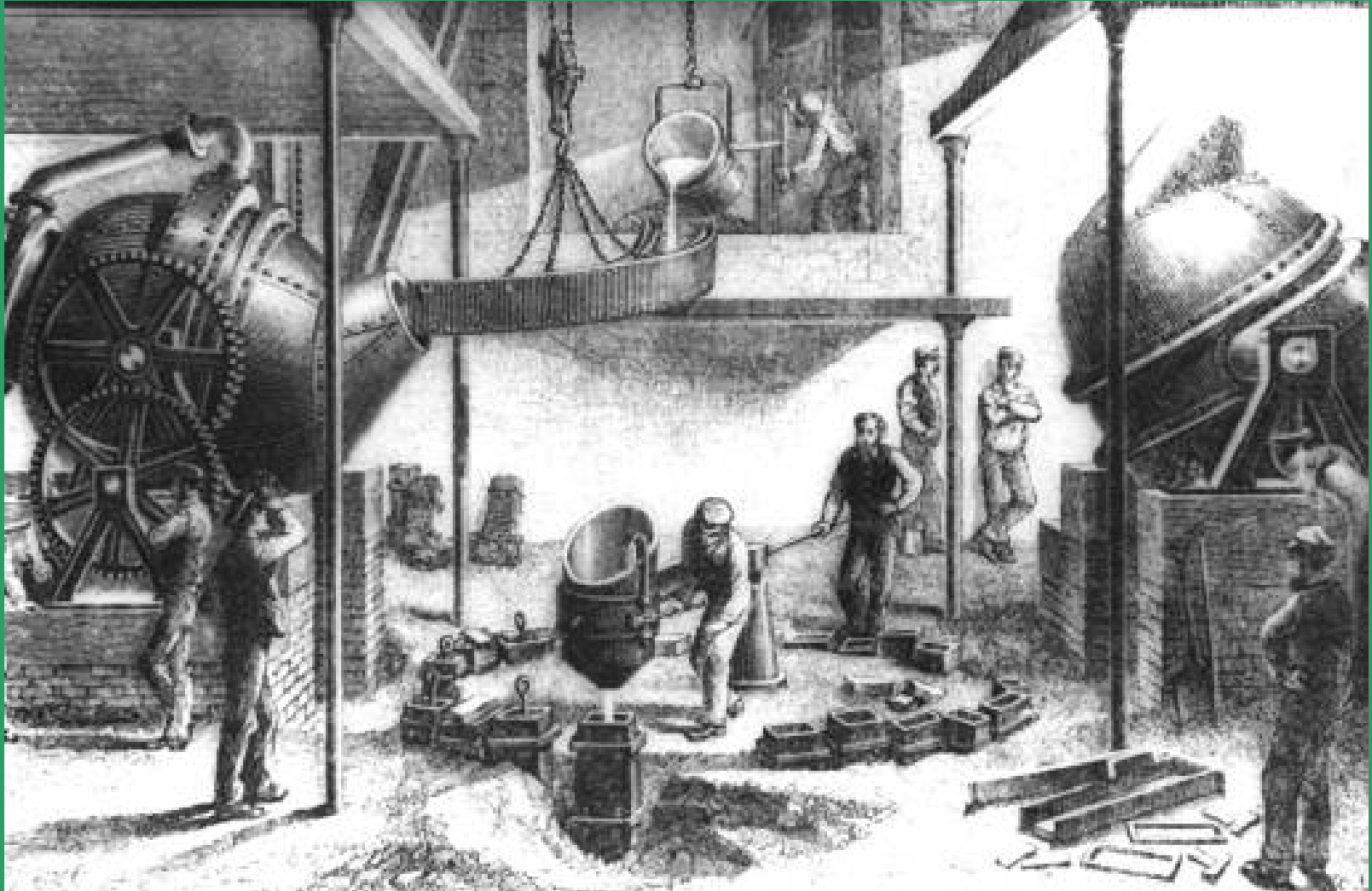
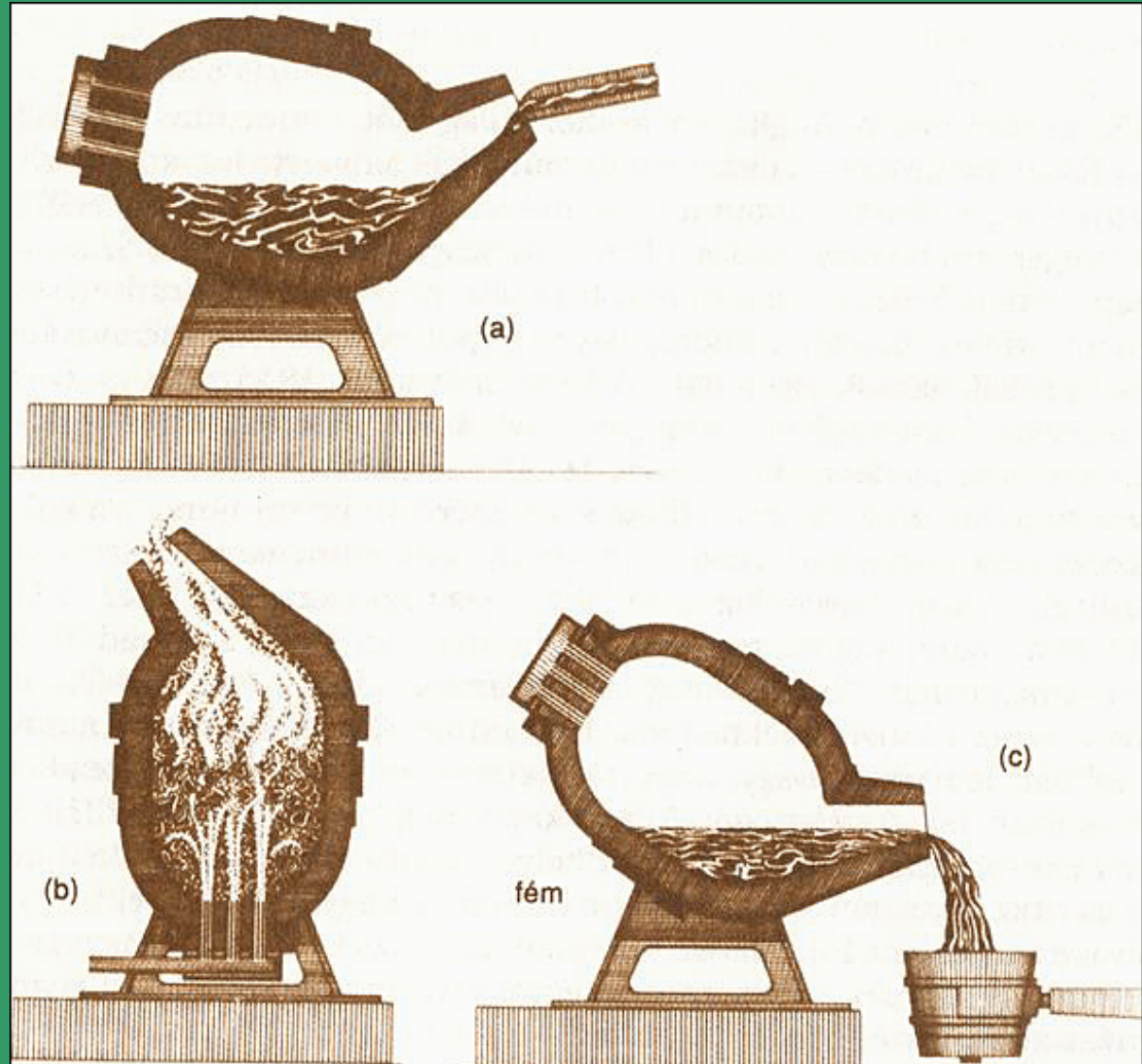
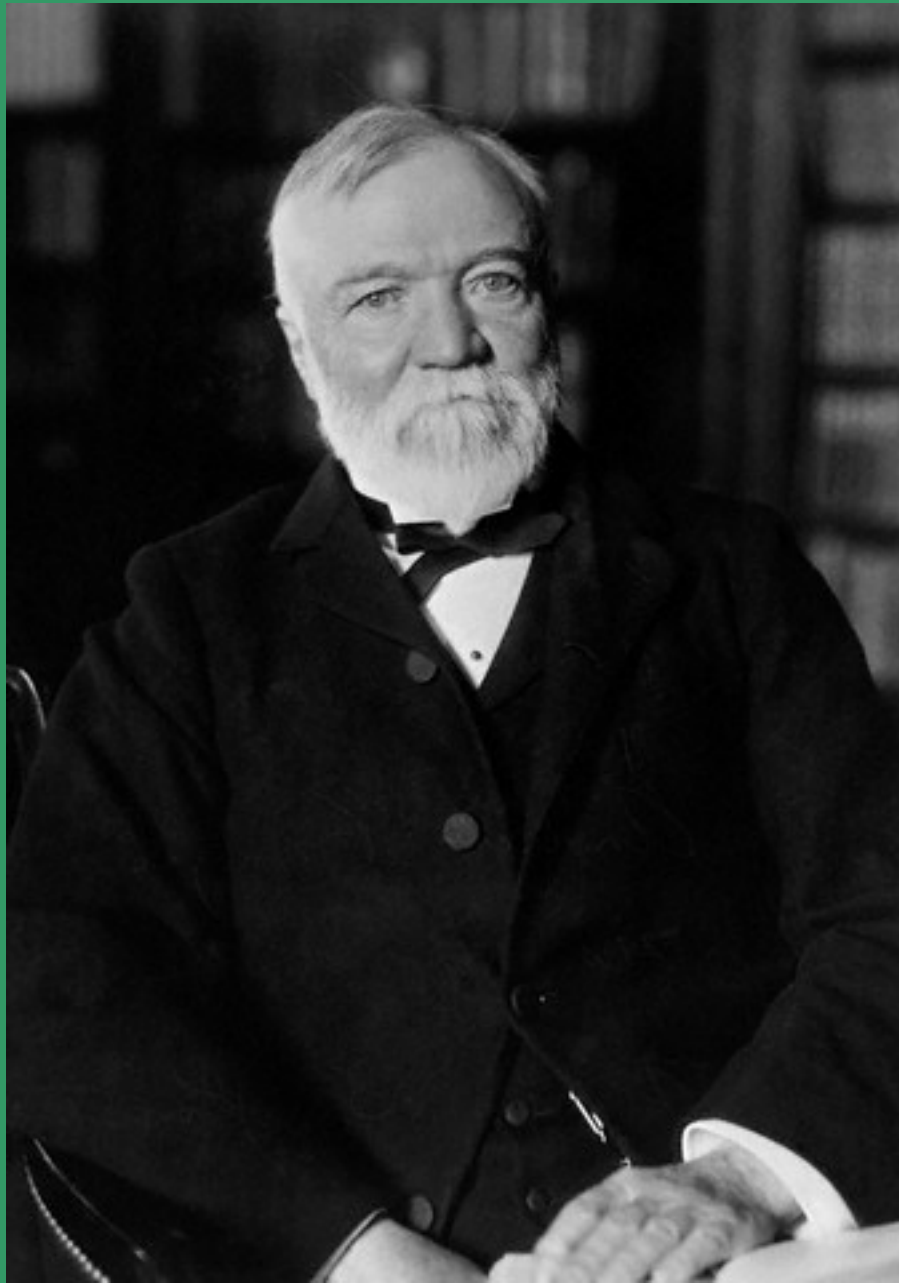


Diagram of the Bessemer Process



Carnegie and Other Sultans of Steel

- Andrew Carnegie was most important steel producer
- Carnegie's background
 - Brought to US by Scottish parents in 1848 (age 13)
 - Began factory work and rose quickly



Andrew Carnegie

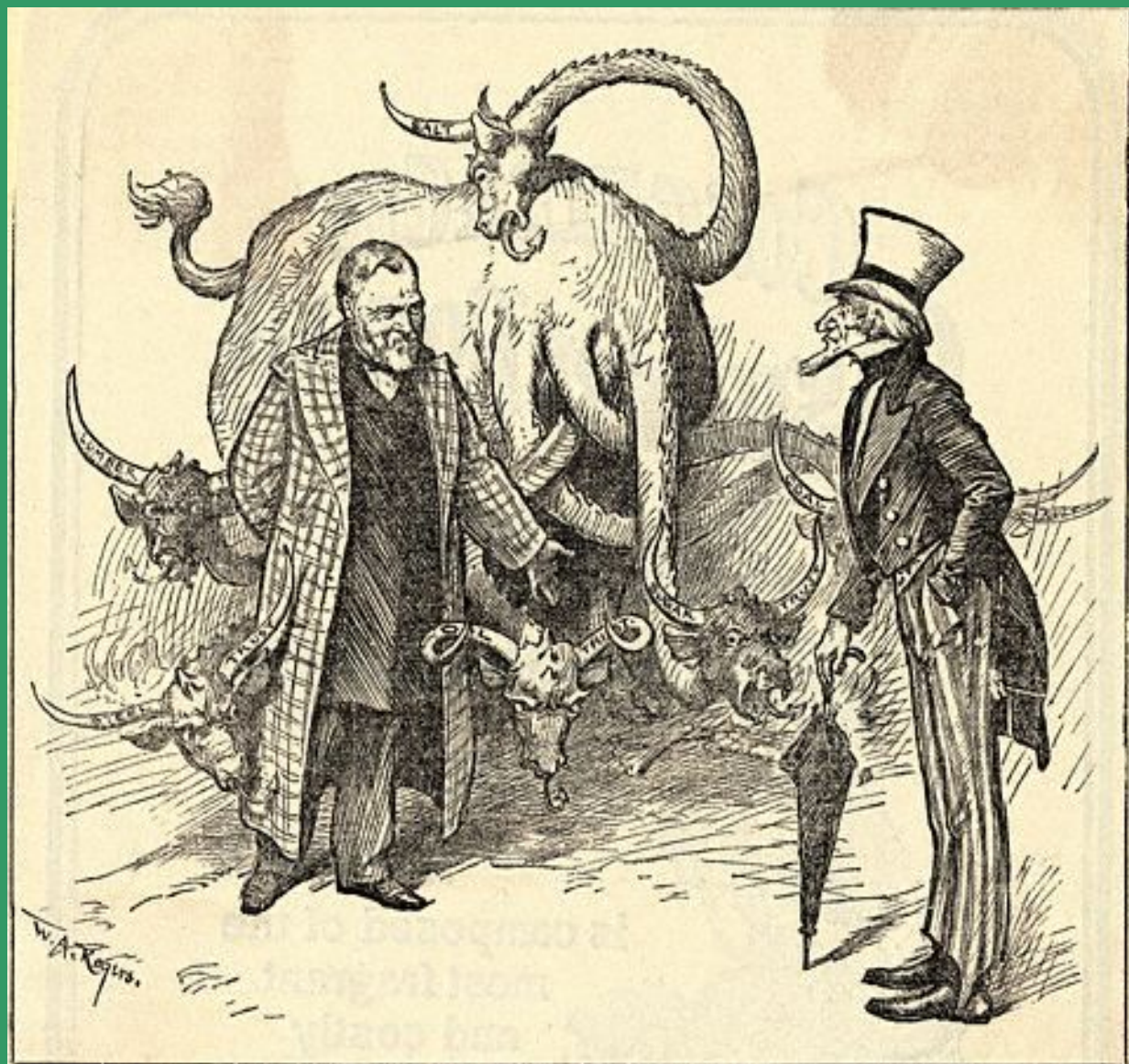
Carnegie and Other Sultans of Steel

- Carnegie accumulates capital and invests in steel business
 - Succeeded by employing best managers and eliminating middlemen
 - Carnegie Steel was not a monopoly; Carnegie disliked monopolies
 - 1900 – produced 1/4 of steel in US
 - Huge profits (with no income tax taken out) divided between him and about 40 investors

A Carnegie Steel Plant



A Trustworthy Beast



A TRUSTWORTHY BEAST.

The public may regard trusts or combinations with serene confidence."—ANDREW CARNEGIE, in an interview in *N. Y. Times*, Oct. 9.

Carnegie and Other Sultans of Steel

- Banker JP Morgan buys Carnegie Steel
 - Morgan had financed railroads, insurance companies, banks
 - Now Morgan is involved in financing the manufacture of steel pipe tubing
 - Carnegie (with more experience and more efficient manufacturing) threatens to enter into competition with Morgan
 - 1900 – Morgan buys Carnegie Steel for \$400 million

Carnegie and Other Sultans of Steel

- Carnegie after sale of his steel company
 - Believes he will die “disgraced” if he dies with all his wealth
 - Spends the rest of his life giving away \$350 million
 - Money given to libraries and universities to help people improve themselves

Down with the Rich!



Carnegie and Other Sultans of Steel

- US Steel
 - Morgan combines Carnegie Steel with his holdings, waters the stock, and forms a new company – US Steel – capitalized at \$1.4 billion

Industrial Consolidation in Iron and Steel

TABLE 18.1 Industrial Consolidation: Iron and Steel Firms, 1870 and 1900

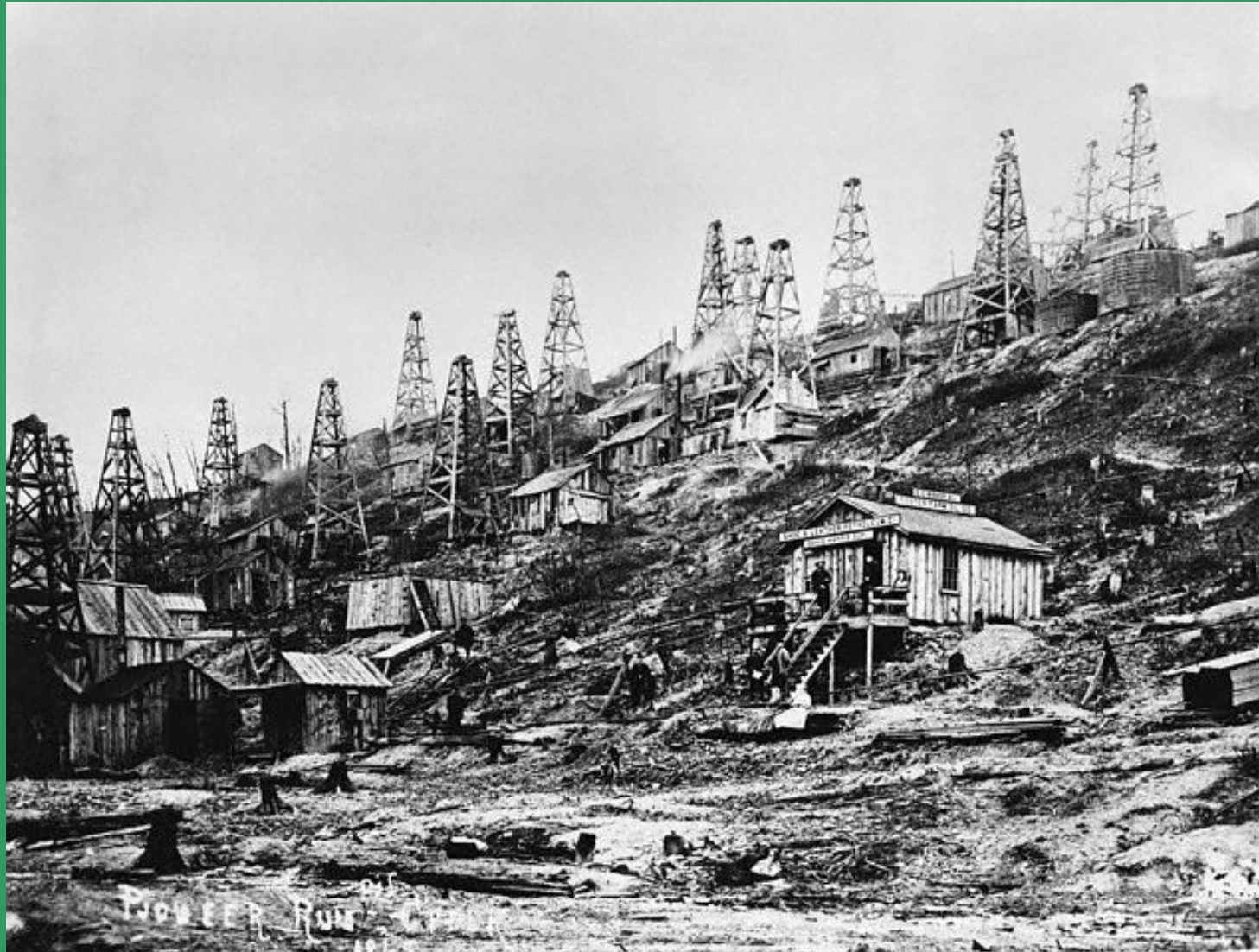
	1870	1900
No. of firms	808	669
No. of employees	78,000	272,000
Output (tons)	3,200,000	29,500,000
Capital invested	\$121,000,000	\$590,000,000

Source: Robert L. Heilbroner and Aaron Singer, *The Economic Transformation of America: 1600 to Present*, 2d ed. (San Diego: Harcourt Brace Jovanovich, 1984), 92.

Rockefeller Grows an American Beauty Rose

- Emergence of the oil industry
 - 1859 – first oil well in Pennsylvania drilled
 - Kerosene (used for lighting) became first important derivative of oil
 - Burned brighter than whale oil
 - Oil industry expanded producing kerosene; whaling industry (based in New England) died
 - Late 1800s – invention of light bulb by Edison made burning kerosene obsolete

The First Commercial Oil Well

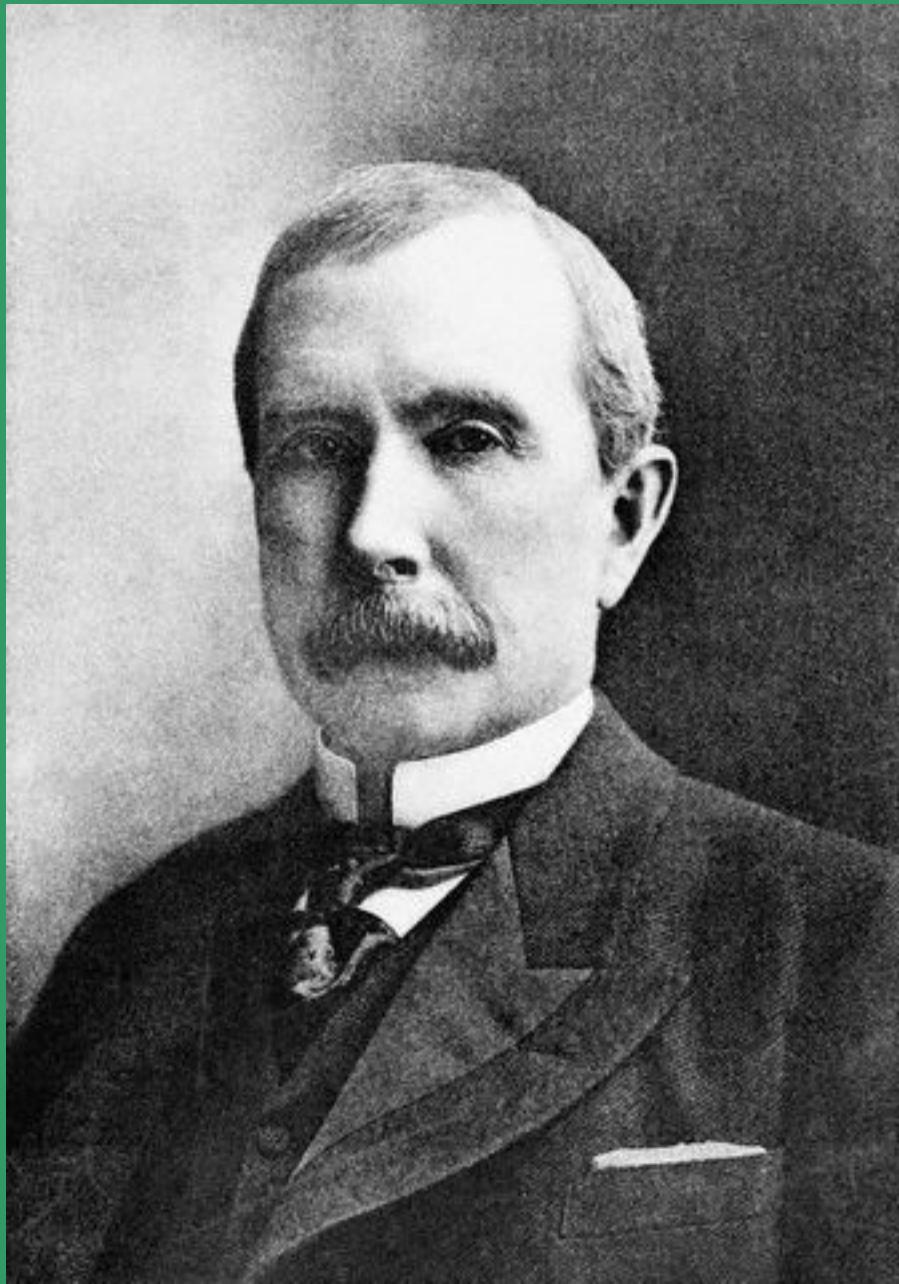


Rockefeller Grows an American Beauty Rose

- Mid 1890s – automobile invented, burning gasoline (derived from oil) for power
 - Internal combustion engine gave oil industry a huge, profitable boost that still continues today

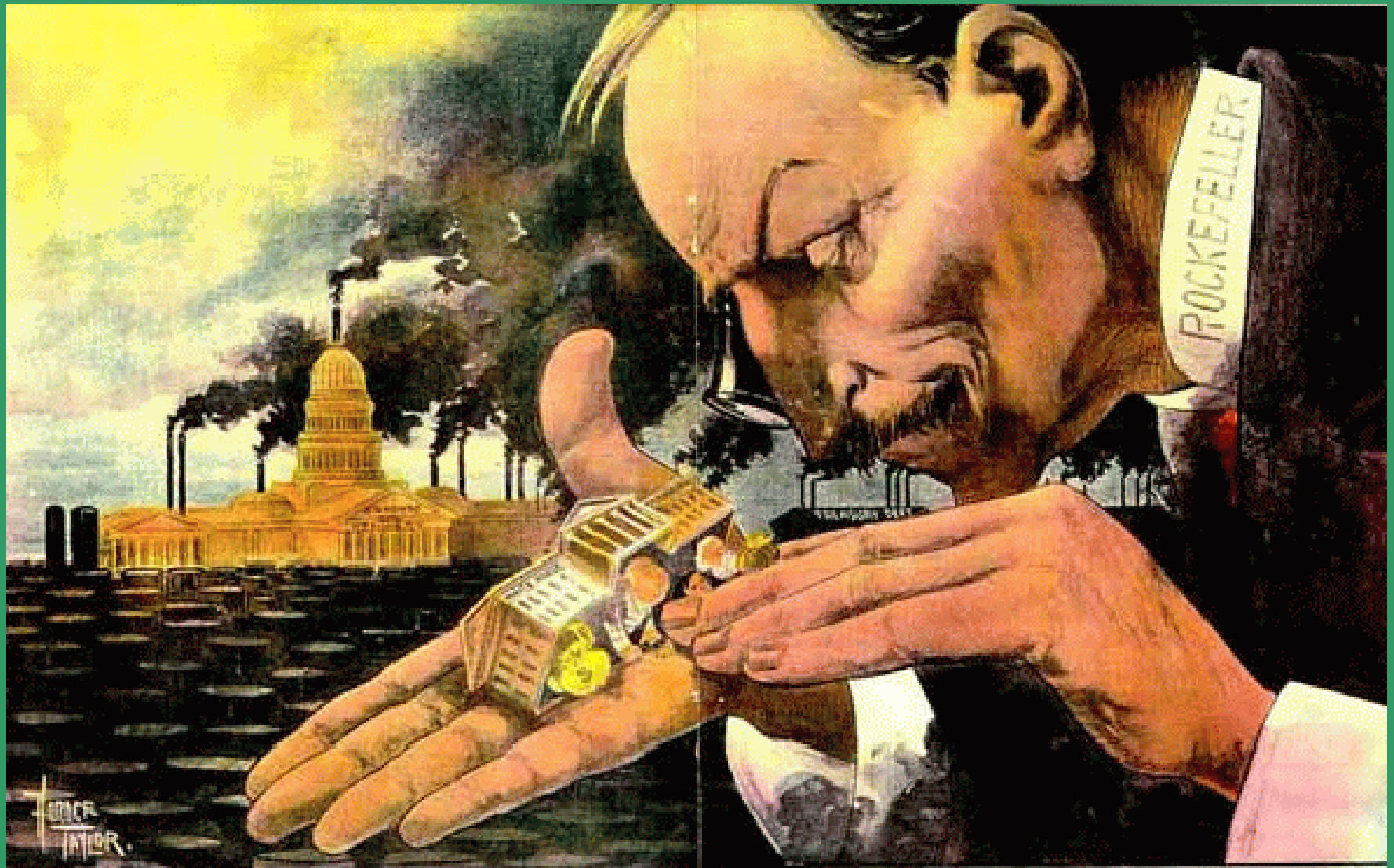
Rockefeller Grows an American Beauty Rose

- Background on John D. Rockefeller
 - Born into poor family
 - Became successful in business early
 - 1870 – organized Standard Oil Company of Ohio
 - 1882 – Standard Oil Trust formed
 - Worked to get rid of middlemen and competitors to decrease costs and increase profits



**John D.
Rockefeller**

What a Puny Little Government



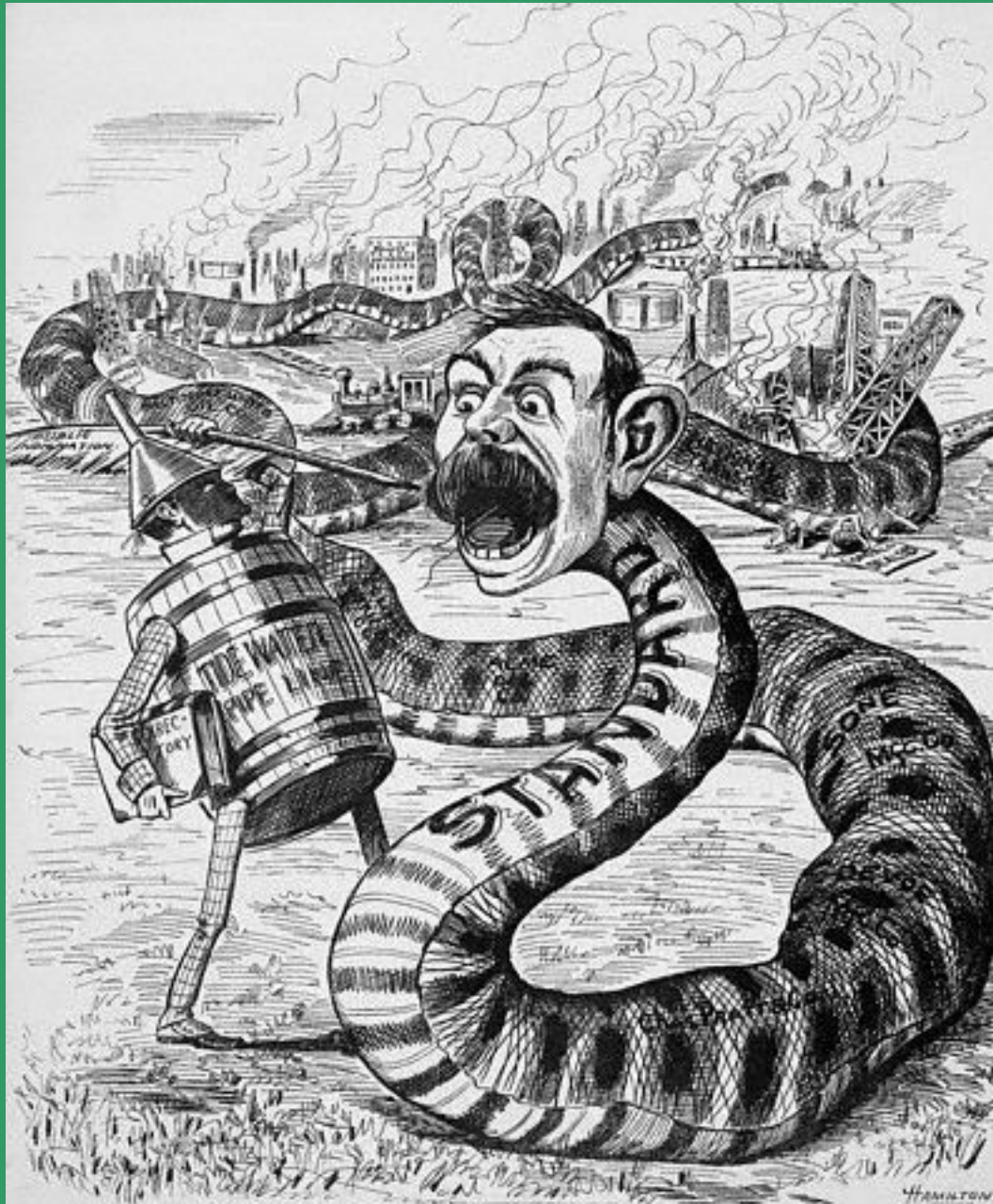
THE TRUST GIANTS POINT OF VIEW.
"WHAT A PUNY LITTLE GOVERNMENT!"

Rockefeller Grows an American Beauty Rose

- Rockefeller's ruthless tactics
 - “Sell all the oil that is sold in your district.” was his order to Standard Oil agents
 - Used spies and extortion to drive competitors out of business and get secret rebates from railroads

The Standard Oil Trust





**A
Monopoly
that
Requires
Crushing**

Rockefeller Grows an American Beauty Rose

- Positives of Rockefeller's Standard Oil
 - Produced superior product at lower price
 - Achieved important economies of scale because his business was so big
 - Producing a lot of oil by 1 company much more efficient than many smaller companies producing the same amount

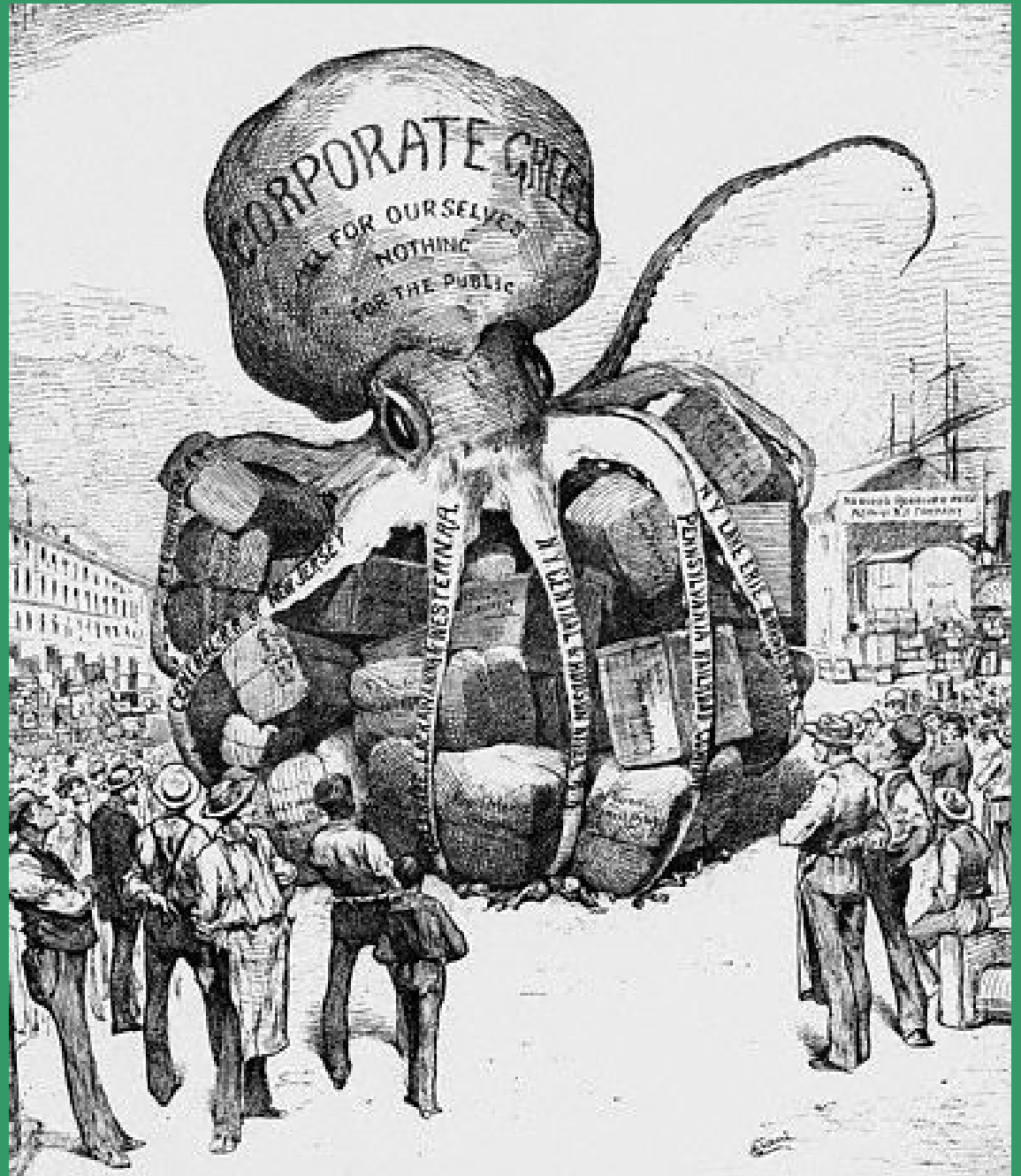


**Advertisement
for Standard
Oil**

Rockefeller Grows an American Beauty Rose

- Domination of trusts
 - Came into other businesses (sugar, tobacco, leather, harvester, meat)
 - New rich (those who had recently become rich) began eclipsing the old rich or “best men” (those who were professionals or merchants who had inherited their money and whose families had been rich for several generations)
 - Old rich were the leaders of the groups who attacked the new industrialists
 - Not only on grounds of morality, but also because the new rich were overtaking the old rich in power and prestige

**Corporate Greed -
All for
Ourselves,
Nothing
for the
Public**



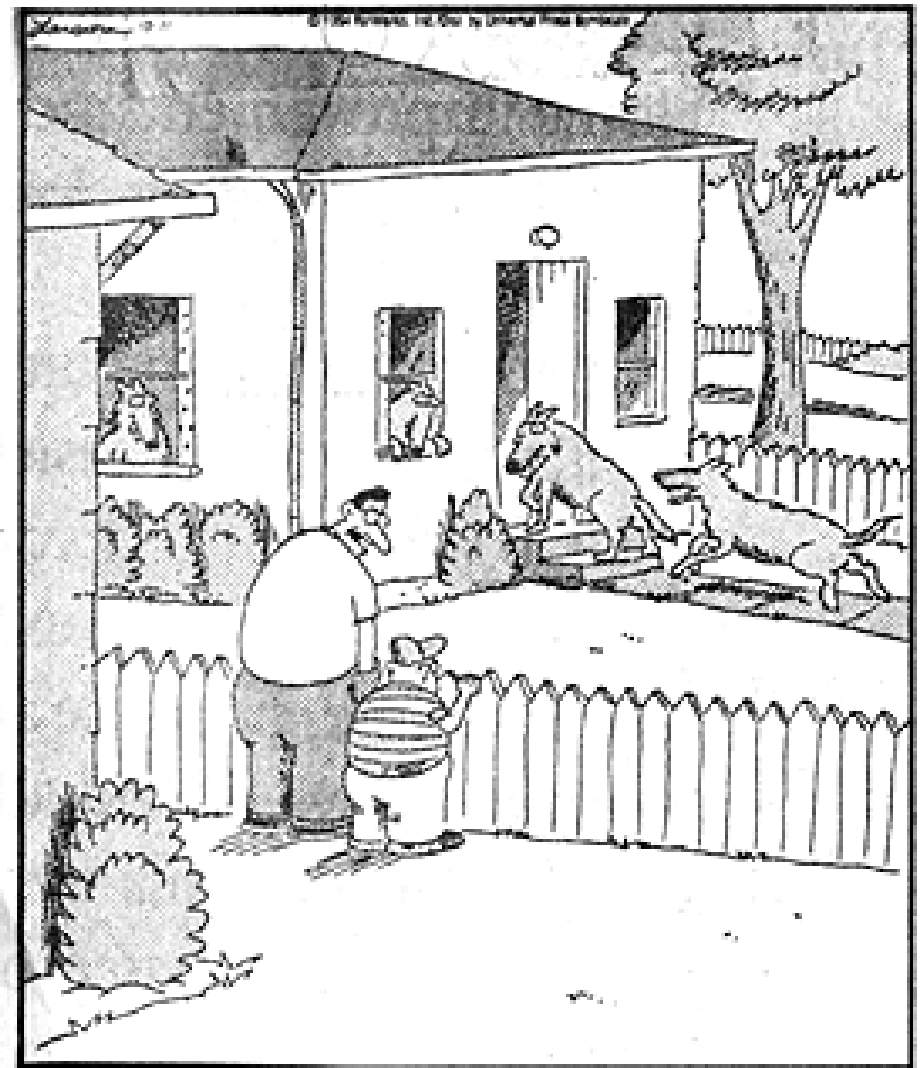
The Gospel of Wealth

- God's will justification
 - Many industrialists believed it was God's will that they be rich and control their businesses
 - “the good Lord gave me my money”
(Rockefeller)

The Gospel of Wealth

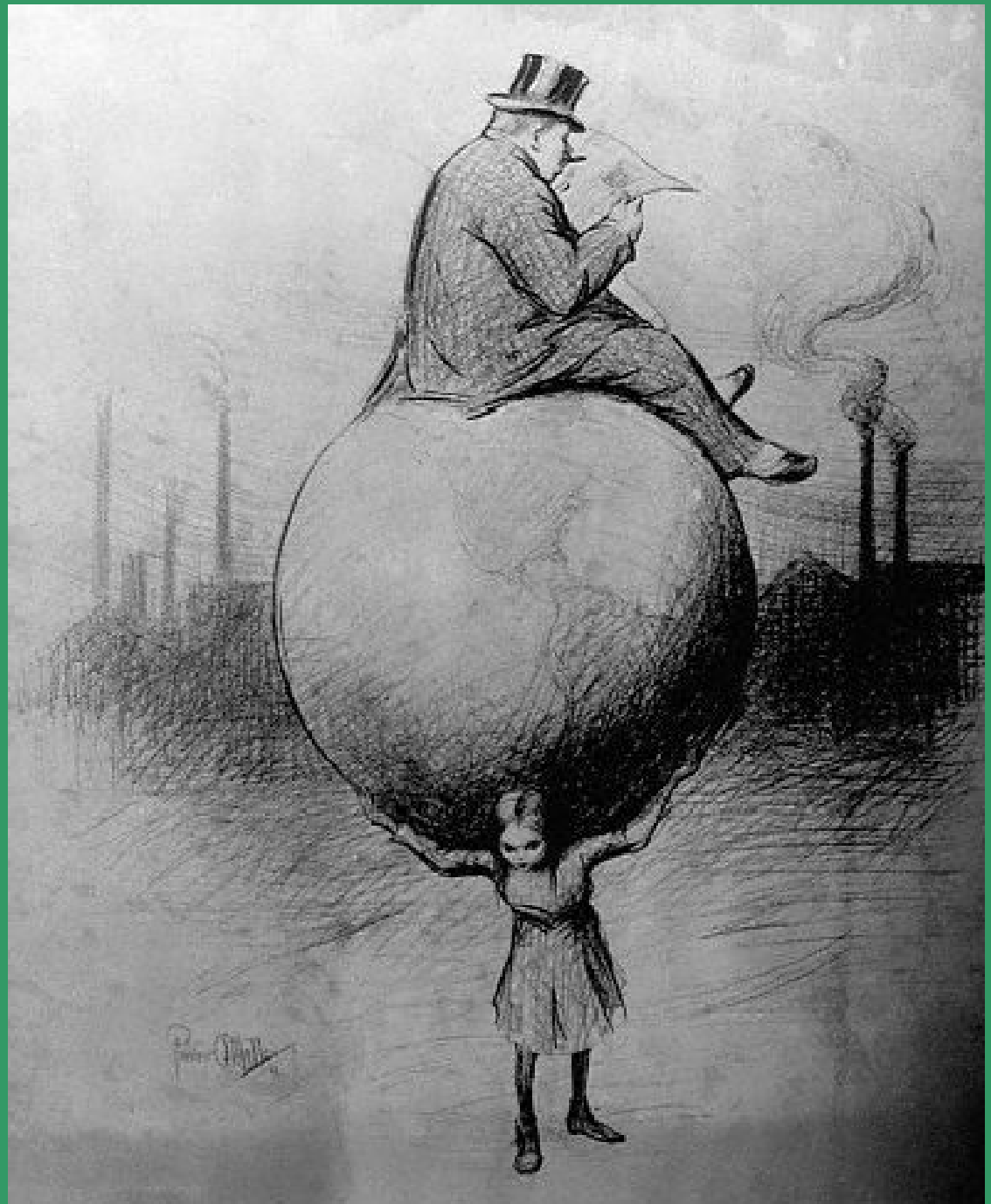
- Survival of the fittest justification
 - Biggest ideological proponents were Herbert Spencer (English philosopher) and William Graham Sumner (Yale professor)
 - Used Darwin's theory of natural selection to argue that human's were also products of evolution
 - Rich industrialists earned the right to their power and riches by adapting better than others

The Far Side on Social Darwinism



"I know you miss the Wainwrights, Bobby, but they were weak and stupid people — and that's why we have wolves and other large predators."

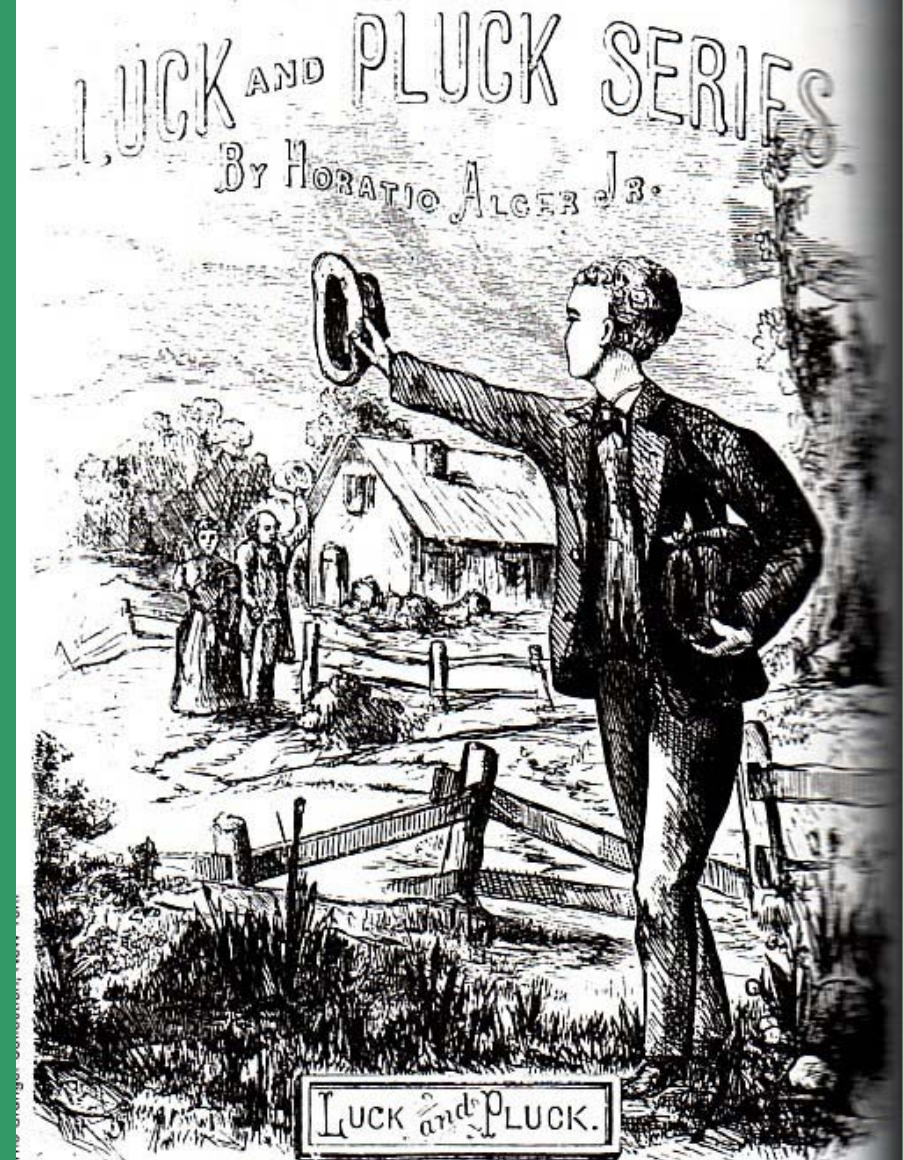
**Who is
“strong”
and who is
“weak”?**



The Gospel of Wealth

- Blame the poor justification
 - A few of the new rich had become rich through hard work
 - Those who stayed poor must be lazy
 - “Acres of Diamonds” speech by Reverend Russell Conwell
 - Argued that those who were poor had only themselves to blame

**Horatio Alger
Stories
Popularized the
Myth that a
Young Man
Could Succeed
with only Hard
Work**



▲ Horatio Alger's "Ragged Dick" books for boys preached that ~~being~~ living a virtuous life would lead to material success.

The Gospel of Wealth

- The Constitution justification
 - Congress had exclusive control over interstate commerce
 - Used by industrialists' lawyers to stop state regulation
 - 14th Amendment
 - Originally designed to protect ex-slaves
 - Pro-business court, arguing that a corporation was a legal “person” ruled that corporations could not be deprived of property without “due process of law”
 - Evidence exists that corporation lawyers put this wording into 14th Amendment to lay groundwork for that ruling

Corporate Personhood



The Gospel of Wealth

- Corporations incorporated themselves in “easy states”, where corporate regulation was mild
 - Standard Oil incorporated in New Jersey
 - Southern Pacific Railroad incorporated in Kentucky (while most track was in California)

Government Tackles the Trust Evil

- Masses of people finally formed to oppose trusts
 - At first (as with railroads) tried state regulation
 - Failed with state regulation (because of interstate commerce clause and 14th Amendment
 - Federal regulation then passed to regulate and control trusts

Government Tackles the Trust Evil

- Sherman Anti-Trust Act of 1890
 - Forbade combinations in restraint of trade
 - No distinction made between “good” and “bad” trusts
 - At first was ineffective
 - Little enforcement power given to government
 - Contained huge loopholes that corporation lawyers used
 - More trusts formed in 1890s than ever before
 - Most government cases decided in court in favor of corporations
 - Used (contrary to original intent) to control unions (labor combinations) that restrained trade
 - Eventually strengthened in 1914 to stop trusts

One Sees His Finish Unless Good Government Retakes the Ship



ONE SEES HIS FINISH UNLESS GOOD GOVERNMENT RETAKES THE SHIP.

The South in the Age of Industry

- Most people remained outside industrial system into 1900s in South
 - Sharecropping and tenant system controlled by absentee landlords
- 1880s – rise of pre-rolled cigarettes gave South some industry
 - 1890 – American Tobacco Company formed
- The “New South”
 - Henry W. Grady, editor of Atlanta Constitution (newspaper) pushed for industrialism in South, with limited success

The South in the Age of Industry

- Obstacles to southern industry
 - Discriminatory railroad rates (giving preferential treatment to industrial products from North moving south, and to raw materials from South moving north)
 - Kept South in Third World status, supplying raw materials to North but not being allowed to industrialize

The South in the Age of Industry

- Birmingham, Alabama steel
 - Had rich deposits of iron ore and coal – should have been perfect for steel producers
 - Northern steel producers got railroads to charge higher prices to Birmingham steel producers, to prevent competition
 - Steel production in the area was stunted

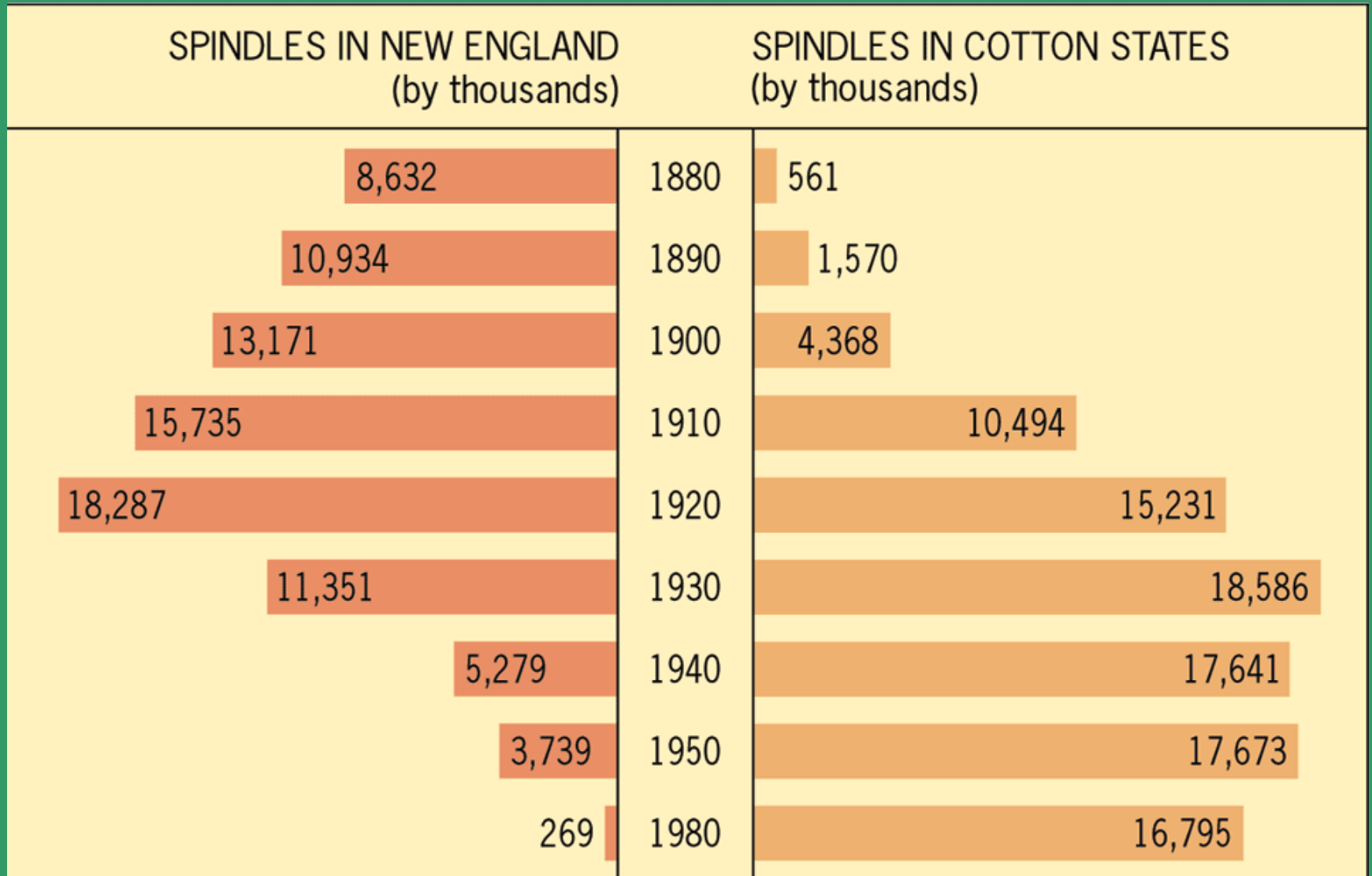
The South in the Age of Industry

- Cotton textiles
 - South did not like shipping cotton to North to have it processed there
 - “Bring the mills to the cotton.”
 - 1880s – North put more cotton mills in South
 - Lower taxes and cheap labor in South
 - New mills provided jobs to South, but at cost of keeping wages extremely low
 - Mills located in poorest regions of southern Appalachian mountains, where labor was cheapest

The South in the Age of Industry

- Rural white southerners and the textile mills
 - Many came to the mills to work, in spite of low pay (1/2 of northerners' pay), long hours, and bad working conditions
 - Mills gave poor southerners first experience with regular, steady employment and pay checks
 - Many mill workers only paid in credit to company store, to which they were continually in debt
 - Mills employed entire family (including women and children), allowing family to stay together

Cotton Manufacturing Moves South, 1880-1980





THE QUEEN OF INDUSTRY, OR, THE NEW SOUTH.

The Queen of Industry, or the New South

The Impact of the New Industrial Revolution on America

- Standard of living sharply increased
 - American workers were better fed and lived better than workers in other industrialized countries
- Cities increased in size
 - Factories demanded more workers, including many immigrants

The Impact of the New Industrial Revolution on America

- Jeffersonian ideal of nation of small, independent farmers, living with no interference from federal government, died
 - Corporations received direct and indirect help (including high tariffs) from government
 - Government regulated corporations to prevent abuses by trusts

The Impact of the New Industrial Revolution on America

- Time
 - Previously, workers had worked according to more relaxed clock of the sun
 - Now the factory whistle enforced firm times to work, eat, and sleep

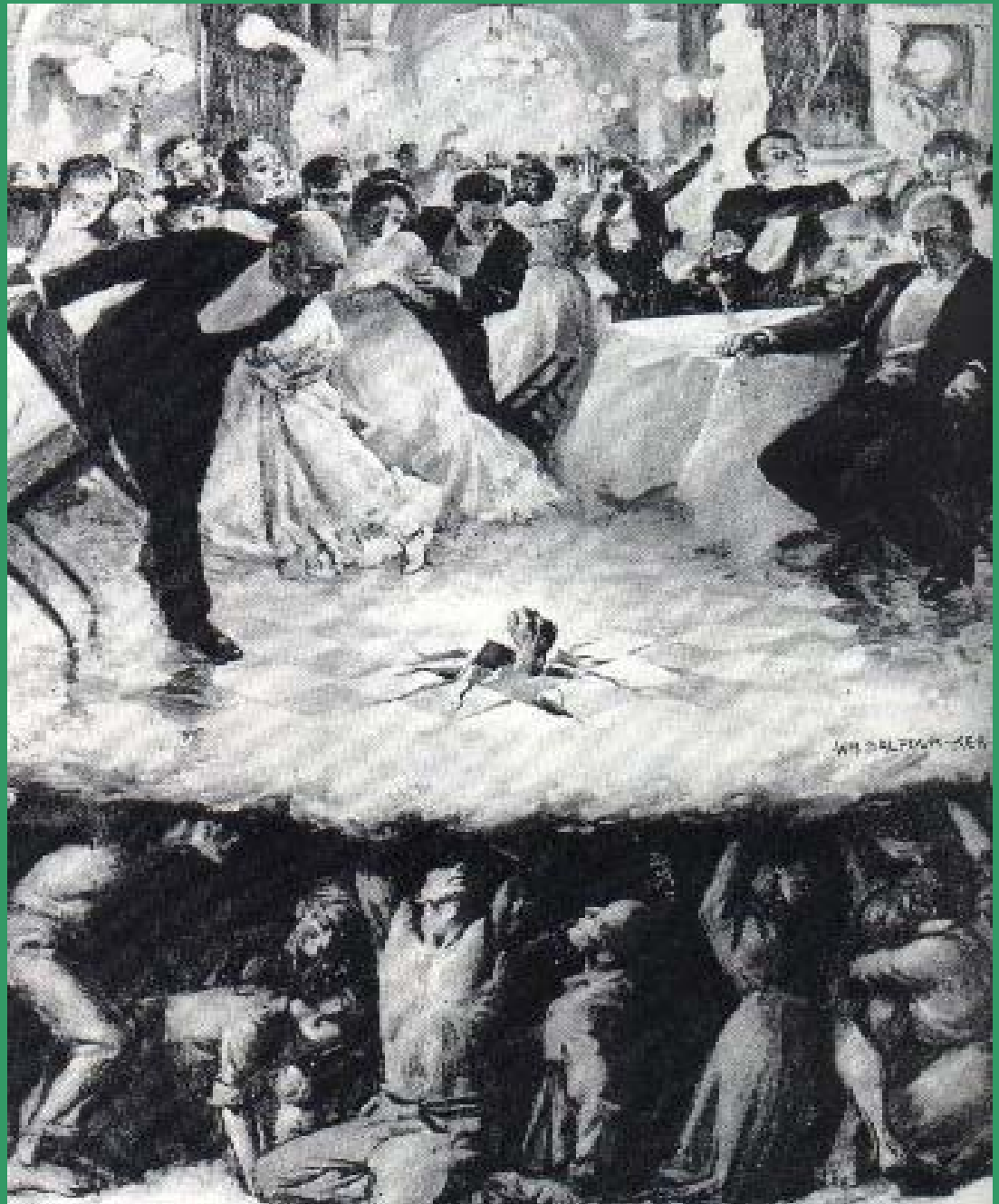
The Impact of the New Industrial Revolution on America

- Women
 - Worked in increasing numbers as secretaries, telephone operators, and on factories with men
 - Middle class women, working for independence or fulfillment, put off marriage and had smaller families
 - Poor women worked out of economic necessity, in the same conditions and long hours as their husbands
 - Women's wages stayed lower than men's

The Impact of the New Industrial Revolution on America

- Class division
 - Open displays of wealth, especially by the new rich, led to harsh criticism from working class
 - Socialists and other radicals, mainly recent European immigrants, most vocal
 - Oligarchy of money did exist
 - 1900 – 1/10 of the people owned 9/10 of the wealth in the US

From the Depths



The Impact of the New Industrial Revolution on America

- Wage earners
 - US transformed from nation of self-employed to nation of wage earners
 - Wage earners dependent on forces outside of their control (swings in the economy, their employer)
 - Poor, who lived almost from day to day, could be destroyed by even temporary unemployment

The Impact of the New Industrial Revolution on America

- Foreign trade
 - US manufacturers opened trade with foreign countries when US could not absorb enough of their products
 - Led to US military being used to protect US business abroad, and to a US empire

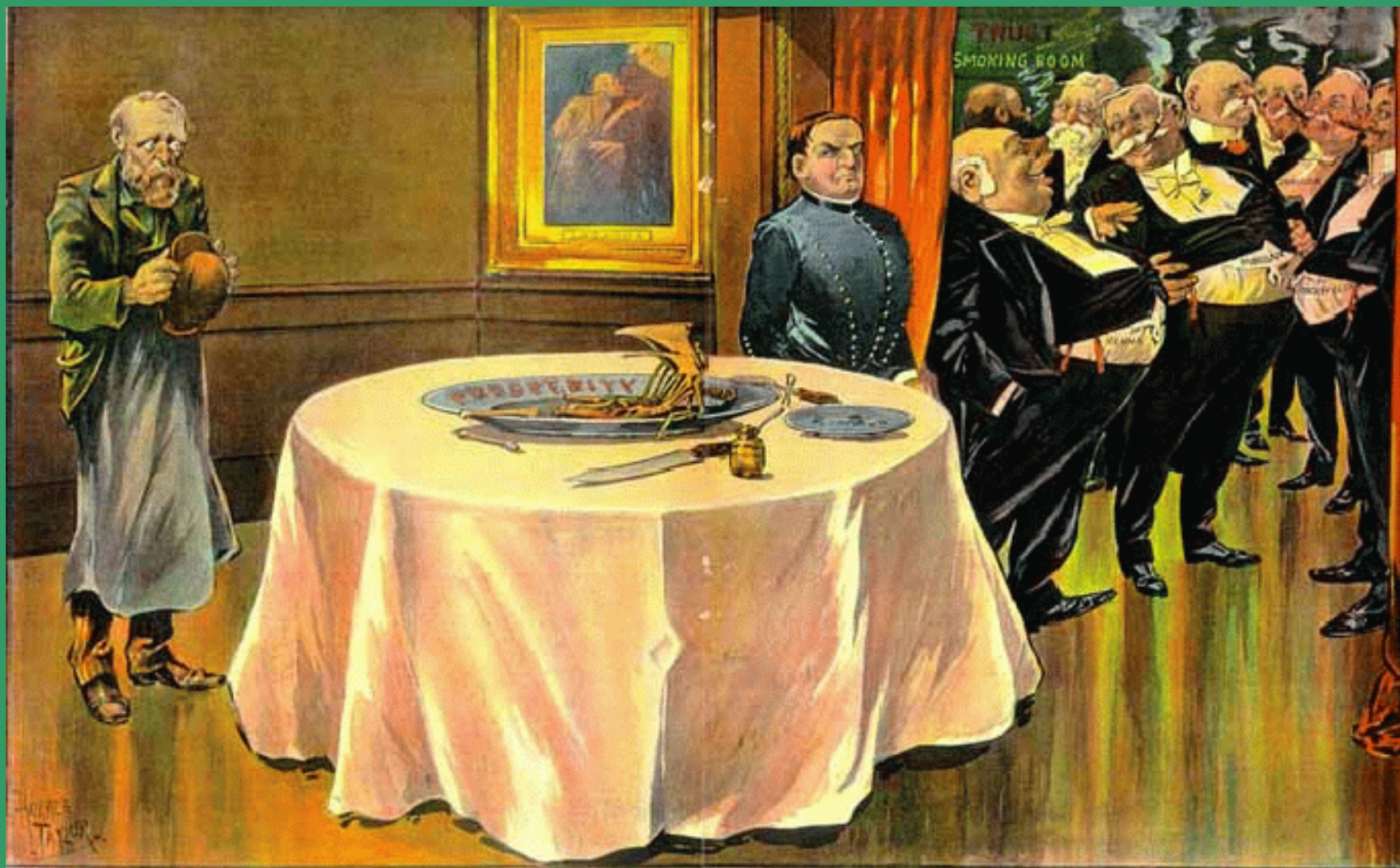
American Industry in 1900



In Unions There is Strength

- Wage earners did not share proportionately (equally with their numbers) to business owners

After the Feast, the Working Man Gets What is Left



AFTER THE FEAST,
THE WORKING MAN GETS WHAT IS LEFT!

In Unions There is Strength

- Workers employed by impersonal corporation
 - Before Civil War, workers in small factories knew employees by first name
 - Now, originality, creativity, skilled labor devalued; employee worked for a corporation, not a person

In Unions There is Strength

- Workers displaced by new machines
 - In the long run, new jobs created
 - In the short run, workers put out of jobs hit hard

In Unions There is Strength

- Glut (excess) in labor market hurt workers
 - Railroads allowed employers to bring in unemployed from all over the country, pushing down wages
 - Hundreds of thousands of immigrants per year poured into US, pushing down wages

In Unions There is Strength

- Workers forced to organize together to fight for basic rights
 - Found that there were many obstacles to successful fight against employers

In Unions There is Strength

- Employers could get rid of workers much more easily than workers could get rid of their employers
- Corporations (with pooled money from stockholders) could buy lawyers, press, and politicians

In Unions There is Strength

- Corporations could import strike-breakers (“scabs”) and pay thugs to beat up strike organizers
- Corporations could get conservative judges to issue injunctions against strikes (forcing them to stop)
 - If workers did not end strike, state or federal troops could be called out to forcibly put down the strike

Immigrants Replace Striking Workers



In Unions There is Strength

- Corporations could use “lockouts” (lock factory doors against workers to starve them into submission)
- Corporations could force workers to sign “ironclad oaths” or “yellow-dog contracts” which were agreements (as a condition of employment) not to join a union
- Corporations could put agitators’ names on “black list”, give the list to other employers, so that these people could not find work

In Unions There is Strength

- Some corporations used the “company town”
 - Company owned housing, stores
 - Provided credit to workers, putting them in continuous debt to the employer

In Unions There is Strength

- Middle class had little sympathy for workers
 - Low wages were still highest in the world (although the cost of living was higher in US also)
 - Many believed that poor could work hard to improve their condition, as many others had done before
 - Strike seen as socialistic, un-American import from Europe
 - Big business could combine to raise profits, but workers could not combine to raise wages
 - God and public charity would take care of the unemployed

Labor Limpers Along

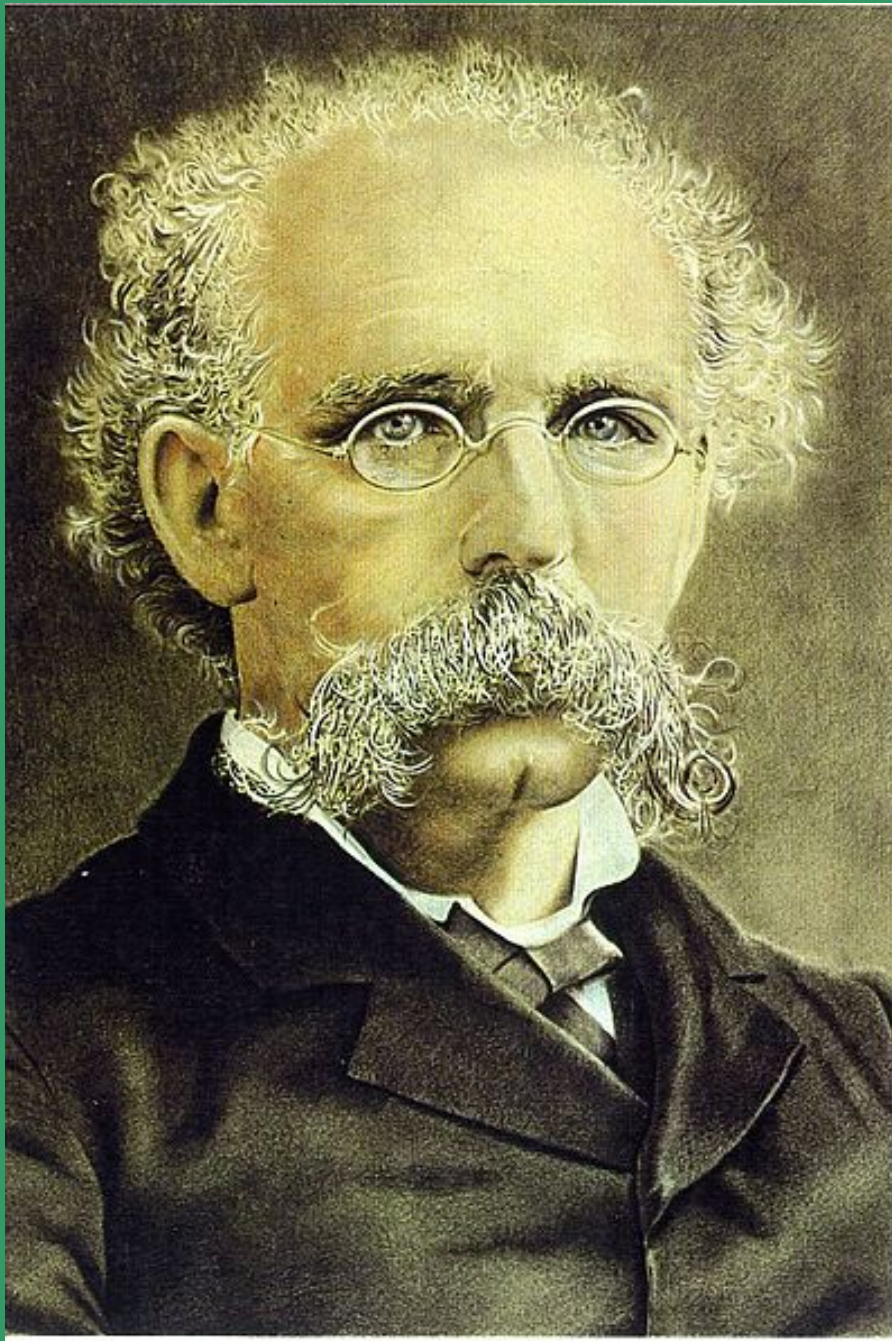
- Unions given boost by Civil War
 - Workers more scarce since many young men were fighting in war
 - Increased cost of living (because of inflation) gave workers reason to organize

Labor Limps Along

- National Labor Union
 - Organized in 1866; lasted 6 years
 - Represented 600,000 workers at peak (skilled, unskilled, farmers)
 - Did not accept Chinese, women, or blacks
 - Colored National Labor Union formed for blacks
 - Continued white racism and black support for Republican party prevented them working with whites
 - Called for arbitration of industrial disputes, 8-hour day (which it won for government workers)
 - Destroyed by depression in early 1870s

Labor Limps Along

- Knights of Labor
 - Organized in 1869
 - Began as a secret society to prevent retaliation by employers
 - Represented 750,000 workers at peak
 - Called for organizing all workers
 - Skilled, unskilled, women, blacks,
 - Barred non-producers – liquor dealers, gamblers, lawyers, bankers, stockbrokers
 - Called for producers' cooperatives, codes for safety and health of workers, 8-hour day
 - Led by Terrence V. Powderly



**Terrence V.
Powderly**

Unhorsing the Knights of Labor

- 1886 – Knights became involved in some May Day (May 1st) strikes
- Haymarket Square incident
 - Chicago had about 80,000 Knights (and several hundred anarchists)
 - May 4, 1886 – police attacked a peaceful meeting protesting police brutalities
 - Dynamite bomb thrown, killing several dozen people (including some police)

Poster Calling for Meeting in Haymarket Square on May 4

Attention Workingmen!

GREAT

MASS-MEETING

TO-NIGHT, at 7.30 o'clock,

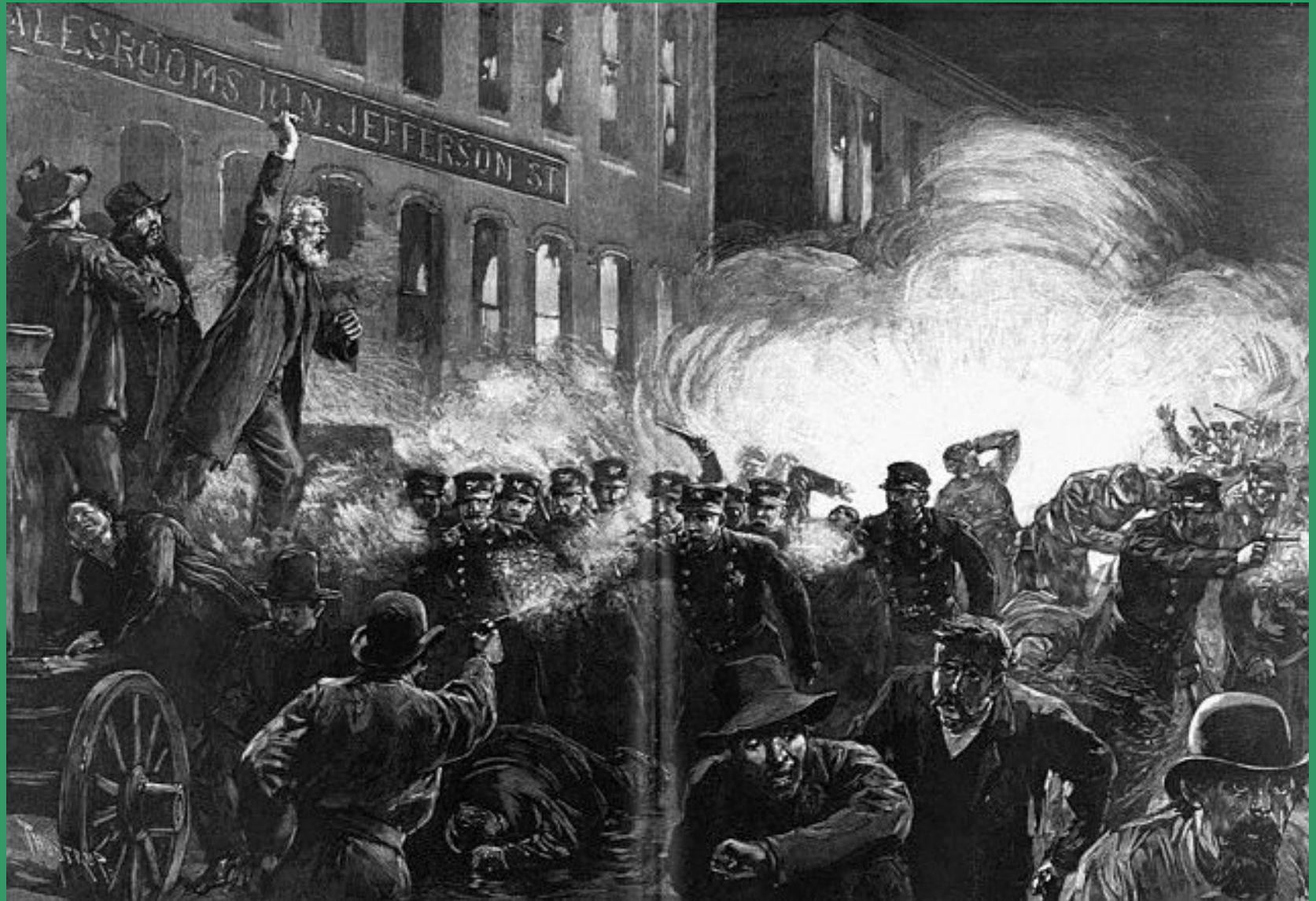
AT THE
HAYMARKET, Randolph St., Bet. Desplaines and Halsted.

Good Speakers will be present to denounce the latest
atrocious act of the police, the shooting of our
fellow-workmen yesterday afternoon.

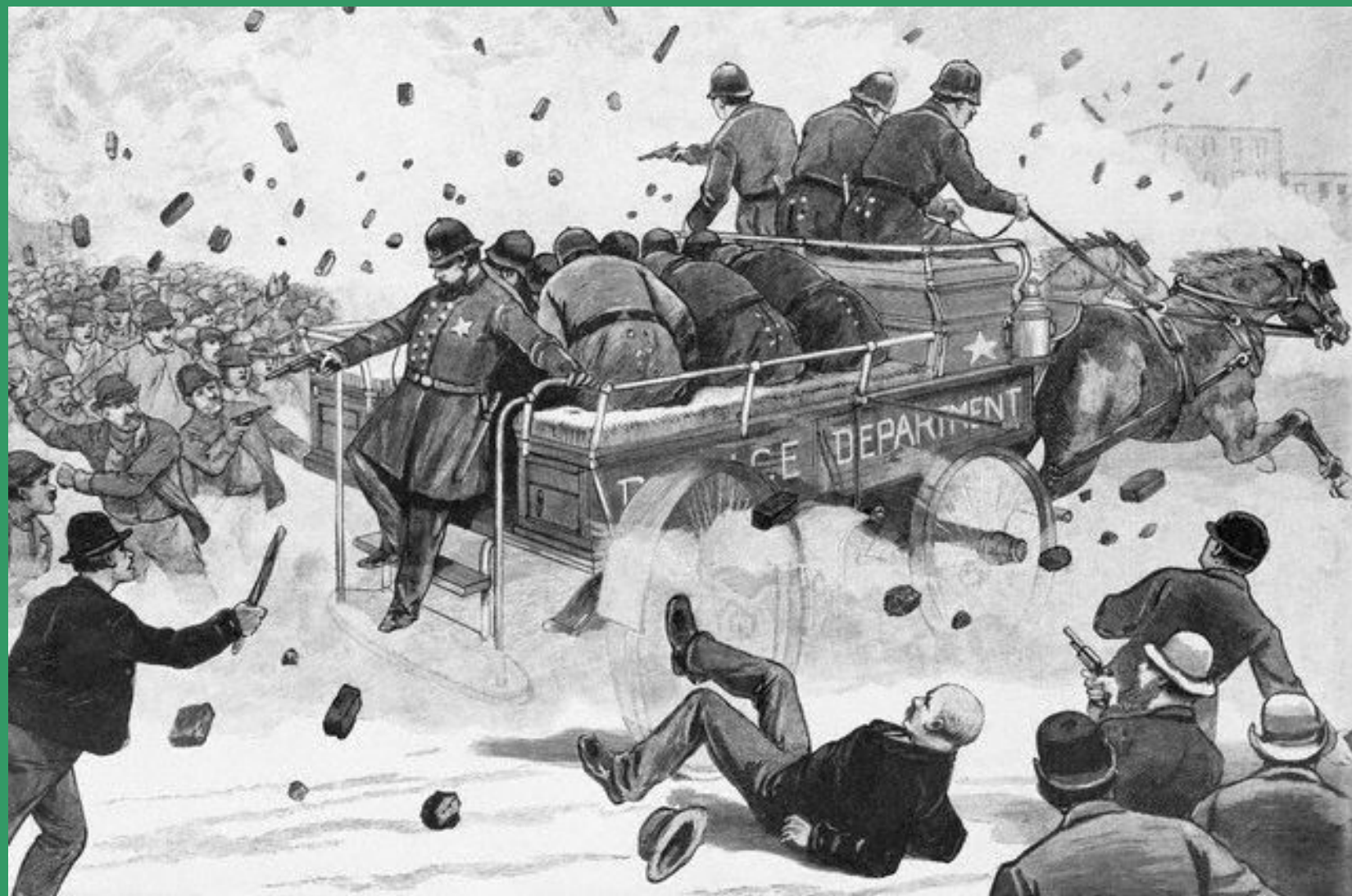
Workingmen Arm Yourselves and Appear in Full Force!

THE EXECUTIVE COMMITTEE

Bomb Thrown into Crowd of Police at Haymarket Square



Police Put Down the Riot in Haymarket Square



Unhorsing the Knights of Labor

- 8 people (the Chicago 8) rounded up
 - No proof they had anything to do with the bombing
 - Judge ruled that since they had made speeches that incited violence, they were responsible for the bomb
 - 5 sentenced to death, 3 given long prison terms
- 1892 – Democrat John P. Altgeld elected governor
 - Pardoned 3 of the Chicago 8 still alive
 - Ruthlessly attacked by conservatives

The Five Anarchists Who Were Given Death Sentences



POLICE ACT!

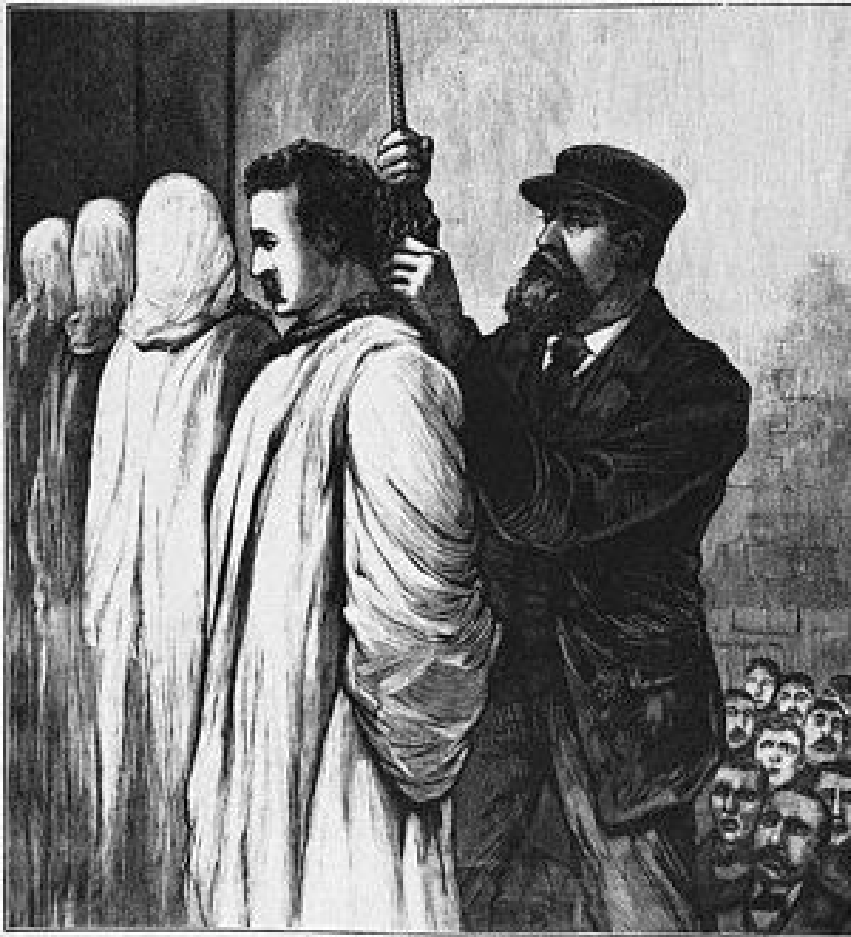
The Last Act!

GAZETTE

OF AMERICA

THE ILLUSTRATED SPORTING JOURNAL

NEW YORK, SATURDAY, NOVEMBER 26, 1887.



KING DOWN THE CURTAIN.

FOUR OF THE BRUTERS OF THE RAYMARKET RIOT AT CHICAGO REPLAY THEIR GREAT CRIME ON THE GALLOW.

Execution of the Alleged Inciters of the Riot

Unhorsing the Knights of Labor

- Haymarket Square incident destroyed the Knights of Labor
 - Became associated with anarchists and violence
- Knights' other fatal weakness was bringing in unskilled and skilled workers
 - Unskilled workers easily replaced, nullifying effectiveness of strikes
 - Skilled workers got tired of being held back by unskilled workers and left the Knights

The AF of L to the Fore

- American Federation of Labor (AFL) formed in 1886
- Led by Samuel Gompers, skilled cigar maker
- AFL was a federation
 - Association of self-governing national unions
 - Each union kept its independence, while AFL made overall strategy
- Gained 500,000 skilled members



**Samuel
Gompers**

The AF of L to the Fore

- Gompers took a more pragmatic approach to unionism
 - Hated socialism, rejected politics in favor of concrete economic goals for workers
 - Better wages, fewer hours, better working conditions
 - Unlike Knights of Labor, he was concerned with more practical (and realistic) goals
 - “trade agreement” authorizing the “closed shop”
 - Gompers got some businesses to only hire union members
 - Used walkouts and boycotts to combat business abuses
 - In reality, only represented skilled workers
 - Unskilled workers, women, and (especially) blacks left out
 - AFL was non-political except for supporting friends of the union and voting against enemies

The AF of L to the Fore

- Labor strikes continued
 - Last 20 years of 1800s – 23,000 strikes involving 6.6 million workers
 - Total loss to employees and employers of \$450 million
 - Strikers lost about 1/2 of their strikes and won or compromised on the other 1/2
 - Labor's biggest weakness was that only a small minority (3%) of workers belonged to unions

The AF of L to the Fore

- Public attitudes toward workers began to change
 - Public acknowledged workers had right to join unions and strike
 - A few businesses began to work with unions to avoid strikes
 - Most businesses were still opposed to unions
 - 30 years of strikes and violence would be needed before labor finally gained recognition and power to stand up to business