Big Business and Organized Labor

- What factors fueled the growth of the post-Civil War economy?
- What were the methods and achievements of major entrepreneurs?
- What led to the rise of large labor unions?

The Rise of Big Business

- The Industrial Revolution created huge corporations that came to dominate the economy, political life, and social life during the late nineteenth century.
  - Desire for vertical integration—one company does everything from start to finish
  - Effort to dominate entire industries
- Many factors converged to help launch the dramatic business growth after the civil war
  - Nationwide shortage of labor—motivated inventors and business owners to develop more efficient machinery
  - Technological innovations—advanced productivity
  - Larger businesses expanded into numerous states—standardized machinery
  - Determined entrepreneurs took advantage
  - Federal and state politicians encouraged growth of business by imposing high tariffs and making internal improvements
- Agricultural sector fueled the rest of the economy
  - Provided wheat and corn for processing
  - Slaughtering and packing industry
  - Network of railroads connected the coasts
- Abundance of power sources: water, coal, oil, electricity wood—inexpensive

The Second Industrial Revolution

- First Industrial Revolution was propelled by coal power, textile machines, and blast furnaces—centered in UK
- Second Industrial Revolution was propelled by innovations, inventions, machinery, chemicals—centered in USA and Germany
  - Formed the economy and society into urban-industrial form
- Three related developments in Second Industrial Revolution
  - Creation of interconnected national transportation
    - led to national market
    - Telegraph lines, railroad systems, steamships, undersea telegraph cable
  - Use of electric power accelerated change
    - Advances in efficiency
    - Electric trolleys, subways
  - Application of scientific research to industrial processes
    - new research universities
    - improved techniques for refining
    - Expanded scope and scale of industrial organization
Building the Transcontinental Railroads

- Railroads were the first big business, first to attract financial markets, first to develop large-scale bureaucracy
  - Opened the west to industrial development
- Renewal of railroad building after the Civil War filled out the rail network east of the Mississippi River
  - Most spectacular exploits were the monumental transcontinental lines built through mountains, over rivers, and across plains
  - Railroads bound the country together—government support in form of loans, grants, subsidies
- Before the Civil War, sectional differences over the choice of routes had held up the start of the transcontinental line
  - Secession allowed permitted passage of Pacific Railroads Act—authorized a line along a north-central route to be built by the Union Pacific Railroad and Central Pacific Railroad from Omaha to Sacramento
  - Construction of the rail line and bridges was hasty and flimsy
    - Entrepreneurs driven by wealth from government subsidies, paid per mile of track
- The Union Pacific work crews—ex-soldiers, former slaves, Irish and German immigrants—had to cope with bad roads, water shortages, extreme weather, and Indian attacks
- The Central Pacific Crews were composed mainly of Chinese workers—“coolies”
  - Chinese were intent on accumulating money and returning to homeland
- All sorts of issues delayed effort to finish the transcontinental line
  - Iron prices spiked
  - Broken treaties prompted Indian raids
  - Blizzards
  - Union Pacific covered more miles, race ended in 1869
- The next transcontinental line was completed in 1881, linked Atchison and Topeka—Sante Fe Railroad and Southern Pacific Railroad
  - Southern Pacific had absorbed Central Pacific
  - Northern Pacific connected Lake Superior to Oregon
  - Great Northern connected St. Paul and Tacoma, Washington
- Before the turn of the century, five major lines existed

Financing the Railroads

- Built by private companies that raised money for construction by selling railroad bonds
- In 1850, Senator Stephen Douglas secured government land grants for railroads
- Railroads received massive financial aid from federal, state, and local governments
  - Altogether, railroads received $707 million in cash and $355 million in land
- Federal government recovered its investments and linked the country
  - Value of land near railroads increased
  - Railroads benefitted public by hauling government freight, military items, and mail for half fare
  - Accelerated creation of nation market
  - Increased government revenues
- The shady practices of railroad executives earned them the label of robber barons
  - Driven by greed
  - Crédit Mobilier of America bribed congressmen and charged Union Pacific unjustly
- The Prince of the railroad robber barons was Jay Gould
  - Used corporate funds for personal investment and bribes
• Built a fortune by moving from enterprise to enterprise
  • **Cornelius Vanderbilt** stands out among the railroad barons
    o He decided to give up hazards of wartime shipping in favor of land transport
    o Merged separate truck lines connecting Albany to Buffalo into a single network led by New York Central
    o Competed with Erie Railroad
    o Bought Lake Shore and Michigan Southern Railroad, which gave his lines connections to Chicago market
    o Consolidation trend

**Manufacturing and Inventions**

• New processes in steelmaking and oil refining enabled those industries to flourish
• The refrigerated railcar allowed meat in the West to reach packing houses
• Corrugated rollers could crack wheat of the Great Plains—flour milling in Minneapolis under Pillsbury
• George Westinghouse’s air brake, Christopher Shole’s typewriter, Ives McGaffey’s vacuum cleaner
• **Technological advances altered the daily lives of ordinary people**
  o Alexander Graham Bell’s telephone in 1876
    ▪ Bell Telephone Company
    ▪ Competition came from Western Union—employed Thomas Edison
    ▪ American Telephone and Telegraph Company emerged from both
• Thomas Edison invented phonograph in 1877, light bulb in 1879, perfected hundreds of devices
• Edison Electric Illuminating Company began to supply electrical current to customers in New York City
• **Many companies emerged into Edison General Electric Company in 1888**
  o George Westinghouse invented alternating-current system to allow greater supply range
  o Set up Westinghouse Electric Company—won against Edison direct current
  o Factories no longer had to cluster around power plants

**Entrepreneurs**

• **John D. Rockefeller** dominated oil industry
  o Railroad and shipping center in Cleveland, Ohio made it an ideal spot for oil
    ▪ Cleveland had the edge in transportation over Pittsburgh
  o As oil could be refined into kerosene, economic importance of oil rush outweighed gold rush
• Rockefeller recognized the potential profits of refining oil—incorporated investments into Standard Oil Company of Ohio
  o Decided to weed out competition—offered to buy out
  o By 1879, Standard Oil controlled 95% of oil refining in the country
• Rockefeller’s success was based on determination to “pay nobody a profit”
  o Standard Oil took charge of entire production—no middlemen
  o **Vertical integration**
  o The company kept large cash reserves
• Also controlled transportation
  o Ownership of own pipelines and railroads
• **In effort to consolidate more enterprises, Rockefeller used a new legal device: the trust**
  o Used to centralize control of business
  o Organized Standard Oil Trust

Ishmam Ahmed; Ishmam.com
• All 37 stockholders conveyed their stock to nine trustees
  • Trust device was legally vulnerable to prosecution under state laws against monopolies
    o 1892: Ohio Supreme Court ordered Standard Oil Trust to be dissolved
    o Rockefeller brought his entire empire under Standard Oil Company of New Jersey
    o Some holdings were broken off by the Sherman Anti-Trust Act of 1890
  • Rockefeller donated much of his fortune to education and medicine

Carnegie and the Steel Industry
• Andrew Carnegie experienced an atypical rise from poverty to riches like Rockefeller
  • Moved from telegraphy to railroading to bridge building and then to steelmaking
    o Steel was the miracle material—cheap
    o Henry Bessemer invented Bessemer converter, with which steel could be produced directly from iron
  • Carnegie was a promoted, salesman, organizer—not a technical expert on steel
    o Purchased struggling companies during recession
    o Insisted on up-to-date machinery
  • Carnegie stood out from other business titans as a thinker who fashioned and publicized a philosophy for big business
    o Believed that however harsh their methods were, captains of industry were public benefactors
    o “The Gospel of Wealth” argued that in evolution of society the contrast between millionaire and laborers measures the distance society had come
  • Dispensed fortune for the public good after retirement
    o Called himself “distributor” instead of philanthropist
    o Gave money to hospitals, universities, church buildings, etc.

J.P. Morgan, Financier
• J.P. Morgan was born into wealth, unlike Rockefeller and Carnegie
• Established J. Piermont Morgan and Company—channeled European capital into the US
• Morgan was an investment banker
  o Bought and sold stocks for profit
  o Growth of large corporations put Morgan’s investment firm in favorable position
  o Investment bankers became involved in the operation of their client firms
• Unlike Rockefeller, J.P. Morgan viewed competition as wasteful and chaotic and sought to consolidate rival firms into giant trusts
  o Morgan’s crowning triumph was consolidation of steel industry
    ▪ Bought out Carnegie’s steel, Rockefeller’s iron holdings 1901
    ▪ Combined into United States Steel Corporation—first billion dollar corporation

Sears and Roebuck
• Most important challenge was extending the reach of national commerce to the people who lived on isolated farms and towns
  o Aaron Ward decided that he could reach more people by mail than on foot and thus eliminate middle man
  o Montgomery Ward and Company began selling goods at 40 percent discount through mail-order catalogs
• **Sears, Roebuck and Company** came to dominate mail-order industry
  o Founded by Richard Sears and Alvah Roebuck
  o Groceries, drugs, tools, furniture, stoves, household items, clothes, books, sporting goods

• Sears catalog helped create national market
  o Families on farms and small towns could purchase product by mail

**Labor Conditions and Organization**

**Social Trends**

• **Rising standard of living**
  o However, disparities in distribution of wealth did not disappear
  o Richest 2% of American families owned more than 1/3 of the nation’s wealth
  o Upward mobility from low to high rank jobs was common

• **Continuing demand for unskilled or semiskilled workers attracted new workforce**
  o Immigrants, women, children
  o Real wages and earning went up about 50% by 1890 and another 37& by 1914
  o **Wages increased due to decline in prices and cost of living**

• Working conditions were dreary
  o 59-hour workweek

• **Although wages were rising overall, working and living conditions remained poor**
  o High death rate in cities
  o Poor health and safety conditions in factories
  o **The United States was the only industrial nation in the world that had no workmen’s compensation**
  o **Highest accident rate in the world**
  o Impersonal jobs—machinery, bureaucracy, contractual

**Child Labor**

• **Growing number of child wage laborers**
  o Operating machines, digging coal, stitching shoes, peeling shrimp, canning food, blowing glass
  o Parents were desperate for income
  o 1880 one of six children were working full-time
  o In southern cotton mills, children were employed instead of African Americans
  o Little education

• **Factories, mills, mines, canneries were dangerous**
  o Respiratory diseases, poor treatment
  o State laws limiting hours were not enforced well

**Disorganized Protest**

• **Civic leaders respected property rights more than the rights of labor**
  o Businessmen believed that a “labor supply” was simply another commodity
  o Idea of labor unions was slow to take hold—immigrants were unaccustomed
  o Impromptu strikes led to violence—three significant incidences
The Molly Maguires

- Reign of terror in Pennsylvania coalfields—Irish Molly Maguires
  - Motivated by dangerous work conditions in mines
  - Mollies used intimidation and violence to right perceived wrongs
  - Mine owners hired detectives to stop movement
  - Molly Maguires were convicted, many hanged, wages reduced, destruction of Miners’ National Association

The Railroad Strike of 1877

- Great Railroad Strike of 1877 was more widespread, first major interstate strike in American history
  - After depression of 1873, rail lines cut wages; wages cut further in 1877
  - Without organized direction, rebellious workers degenerated into a mob
  - Burned and plundered railroad property
- Federal troops quelled violence
  - Public opinion was sympathetic to the workers at first, but later blamed them for violence
  - Strike failed
  - Raised idea of worker-based revolution
  - Women among protesters
  - Demonstrated union strength depended on need for leadership

The Sand-Lot Incident

- A meeting to express sympathy for the railroad strikers ended with attacks on some passing Chinese
  - Anti-Chinese riots in California
  - Depression of 1870s made the Chinese scapegoats
- Denis Kearney organized Workingmen’s Party of California
  - Platform called for end to Chinese immigration
  - Criticized “sand-lotters” and assaulted rich railroad barons
  - Managed to gain state law to regulate railroads—ineffective though
  - Workingmen’s movement peaked in 1879
  - Party disintegrated but anti-Chinese theme led to law prohibiting Chinese immigration for ten years

Toward Permanent Unions

- Early efforts to form unions had diverse motives
- In late nineteenth century, craft-specific unions formed
  - Unions grew in strength during Civil War due to demand for labor
- 1866: National Labor Union convened
  - Composed of delegates from labor and reform groups
  - More interested in political and social reform than bargaining with employers
  - Greenbackism, equal rights for women and blacks, 8-hour work day
  - Support died after head of the union died—disbanded in 1872
  - It was influential in persuading Congress to enact an 8-hour workday for federal employees and to repeal the 1864 Contract Labor Act, passed during the Civil War to encourage importation of laborers

The Knights of Labor

- The Noble Order of the Knights of Labor—founded by Uriah Stephens
Secrecy would protect members from retaliation by employers and create solidarity
Knights of Labor grew as other unions collapsed
Endorsed reforms including creation of bureaus of labor statistics, ensured payment of salaries, elimination of convict-labor competition, 8-hour workday, paper currency, equal work for men and women

- **Emphasized reform measures and preferred boycotts**
  - Terence Powderly succeeded Uriah Stephens
    - Frail, sensitive to criticism, indecisive—but increased membership occurred due to strikes led by him
    - Declined after failed railroad strike

**Anarchism**

- Tension between labor and management generated doctrine of anarchism
  - Believed that government was a device used by rich to oppress poor
  - Favored tactic was the use of dramatic acts of violence against government representatives
  - European anarchists immigrated

**The Haymarket Affair**

- Labor violence increased during the 1880s
  - Haymarket affair grew directly out of agitation for 8-hour workday
  - Chicago became the center of the movement—International Harvester plant became the site of clash between strikers and policemen—**one striker killed**
  - Anarchist leaders protested killing
    - Police called meeting to disperse—bomb thrown at police, police fired on mob
    - Many were convicted, four hanged
  - Triggered widespread revulsion at the Knights of Labor and labor groups in general
    - Terence Powderly could not make distinction between Knights and anarchists apparent

- **Reasons for the decline of the Knights**
  - Fear of their supposed radicalism
  - Leadership devoted to reform rather than organization
  - Failure of the Knights’ cooperative enterprises
  - Preoccupation with politics

- **Achievements of the Knights**
  - Creation of the federal Bureau of Labor Statistics
  - Foran Act of 1885—penalized employers who imported contract labor (weakly enforced)
  - 1880 national law providing for the arbitration of labor disputes
  - Spread idea of unionism—industrial union composed of skilled and unskilled workers

**Gompers and the AFL**

- The craft unions opposed industrial unionism
  - Craft union organized workers who shared special skills
  - Leaders of craft unions feared that joining with unskilled workers would mean loss of the craft’s identity
  - Delegates formed **American Federation of Labor** in 1886
    - Differed in structure from Knights of Labor—federation of national organizations
    - Each organization had autonomy, more focused on management organization

Ishmam Ahmed; Ishmam.com
• **Samuel Gompers** served as president of the AFL
  - Unlike Powderly and Knights of Labor, he focused on concrete economic gains, higher wages, shorter hours, better conditions
  - Avoided involvement with utopian ideas or politics
• **Gompers was more suited than Powderly for unionism**
  - Used strikes to achieve favorable trade agreements
    - **Closed shops**: could only hire union members
    - **Union-preference shops**: could hire others only if no union members were available
• **The AFL grew slowly but reached peak of million members in 1920**
  - Organized labor’s strongholds were in transportation and building trades
  - AFL had greatest success in organizing skilled workers, even though industrial workers joined

**The Homestead Strike**

• **Two violent incidents in the 1890s stalled industrial-union movement**
  - Homestead steel strike of 1892 and Pullman strike of 1894

• **The Amalgamated Association of Iron and Steel Workers** was the largest craft union at the time
  - Excluded unskilled workers, failed to organize larger steel plants
  - Homestead Works at Pittsburgh was exception—union had enjoyed friendly relation with Carnegie’s company until Henry Clay Frick became president in 1889
• **Company announced that it would treat workers as individuals**
  - Strike began, Frick was in no mood to negotiate—fence built and Pinkerton detectives hired, “Fort Frick”
  - Battle broke out—Pinkertons surrendered
  - **Local sympathy for strikers evaporated**

**The Pullman Strike**

• **Pullman strike of 1894 was most notable walkout in American history**
  - Paralyzed economies of many states and territories
  - Dispute in Pullman, Illinois—Pullman Palace Car Company
    - Employees required to live there, pay rents and utility, buy goods from company stores
  - Strike began after Pullman fired three members of a workers’ grievance committee
• **During this tense period, Pullman workers joined American Railway Union, founded by Eugene Debs**
  - **Eugene Debs**: spokesperson for labor radicalism, launched crusade to organize all railway workers
• **Pullman union workers stopped handling Pullman railcars**
  - Railroad executives brought strikebreakers because federal mail was interrupted
  - Strikers refused Debs’s plea for boycott—they assaulted employees, destroyed property
• **President Cleveland sent federal troops—duty to ensure delivery of mail**
  - Attorney general won an injunction forbidding any interference with the mail or effort to restrain commerce—strikes violated the injunction
  - Union called off the strike
  - Debs arrested for violation of the injunction
  - **In re Debs**: national government has right to intervene if obstructions to freedom occur

**Mother Jones**

• **One of the most beloved agitators**
Ishmam Ahmed; Ishmam.com

— Used rhetoric, led marches, dodged bullets, served in jail, confronted business titans, courageous
— Angry at social inequality and injustice—drifted into labor movement

• **Declared herself “mother” of the labor movement**
  — Joined Knights of Labor, became speaker for United Mine Workers, etc.
  — Recruited members, supported strikers, served in jail, scolded politicians

• **Promoted higher wages, shorter hours, safer workplaces, restrictions on child labor**
  — Arrested in West Virginia—public opinion supported her
  — Senate committee was spurred to investigate conditions of coal mines
  — Governor set her free

• **Determined to end child labor**
  — Pennsylvania state legislature raised legal working age to fourteen as a result of her marches

• **Mother Jones** lost most of the strikes she participated in
  — Over her life, wages increased, working conditions improved, child labor diminished
  — “Pray for the dead and fight like hell for the living.”

**Socialism and the Unions**

• **Major unions never allied with socialists**
  — Marxism came with German immigrants
  — Karl Marx’s International Workingmen’s Association—First International got little support in America
  — Followers of Marx in American formed Socialist Labor party—dominated by Germans

• **Socialist movement gained little notice until rise of Daniel De Leon**—editor of Marxist newspaper: *The People*
  — Daniel De Leon became dominant figure of Socialist Labor Party
  — Proposed to organize industrial unions with the socialist purpose and build political party that would abolish government
  — Anti-violence

• **Eugene Debs was more successful than De Leon at building socialist movement**
  — Organized Social Democratic party from remnants of American Railway Union in 1897
  — Set up Socialist Party of America in 1898

• **By 1912 the Socialist party seemed well on the way to becoming a permanent group**
  — Socialist mayors emerged
  — Farmers and tenants joined Socialists in the Southwest
  — Peak reached in 1912—wrecked by disagreements over WWI

**The Wobblies**

• **Parallel effort to revive industrial unionism emerged, led by Industrial Workers of the World (IWW)**
  — Base was the Western Federation of Miners
  — Center of violent confrontations with mine operators
  — Opposed AFL’s philosophy of organizing unions made up of only skilled workers
  — Eugene Debs joined, Daniel De Leon joined, used opportunity to strike back against craft unionism

• **IWW waged class war**
  — Designed to be “one big union” like Knights of Labor—including all skill levels
  — roots in mining and lumbering
  — Revolutionary goal of the Wobblies (IWW) was idea of syndicalism
    — Ultimate destruction of government

Ishmam Ahmed; Ishmam.com
• Replacement of government by union

• Like other radical groups, IWW split by sectarian disputes
  o Major founders withdrew
  o William “Big Bill” Haywood remained and claimed leadership
    ▪ Despised AFL and conservative labor policy
    ▪ Instead of following Gomper’s advice to organize only skilled workers, Haywood promoted concept of one all-inclusive union dedicated to socialism

• Migratory workers of the West and ethnic groups of the East

• Engaged in battle but rarely won

• Fading of Wobblies was accelerated by opposition it aroused
  o Members were anarchists, bums, criminals
  o IWW ended during WWI
  o Leaders jailed for conspiracy—militant opposition to war

• Wobblies left behind folklore of nomadic workingmen and heroic agitators
  o Elizabeth Flynn: chained herself to lamppost to impede her arrest during strike
  o Joe Hill was a martyr
  o Idea of classless society did not die