

# Big Business and Organized Labor

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- ❖ **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**
  - He decided to give up hazards of wartime shipping in favor of land transport
  - Merged separate truck lines connecting Albany to Buffalo into a single network led by New York Central
  - Competed with Erie Railroad
  - Bought Lake Shore and Michigan Southern Railroad, which gave his lines connections to Chicago market
  - 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**
  - 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**
  - George Westinghouse invented alternating-current system to allow greater supply range
  - Set up Westinghouse Electric Company—won against Edison direct current
  - Factories no longer had to cluster around power plants

## Entrepreneurs

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

- All 37 stockholders conveyed their stock to nine trustees
- **Trust device was legally vulnerable to prosecution under state laws against monopolies**
  - 1892: Ohio Supreme Court ordered Standard Oil Trust to be dissolved
  - Rockefeller brought his entire empire under Standard Oil Company of New Jersey
  - 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 atypical rise from poverty to riches like Rockefeller
- Moved from telegraphy to railroading to bridge building and then to steelmaking
  - Steel was the miracle material—cheap
  - 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**
  - Purchased struggling companies during recession
  - 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**
  - Believed that however harsh their methods were, captains of industry were public benefactors
  - **“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**
  - Called himself “distributor” instead of philanthropist
  - 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**
  - Bought and sold stocks for profit
  - Growth of large corporations put Morgan’s investment firm in favorable position
  - 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**
  - **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**
  - **Aaron Ward decided that he could reach more people by mail than on foot and thus eliminate middle man**
  - 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**
  - Founded by Richard Sears and Alvah Roebuck
  - Groceries, drugs, tools, furniture, stoves, household items, clothes, books, sporting goods
- **Sears catalog helped create national market**
  - Families on farms and small towns could purchase product by mail

## Labor Conditions and Organization

### Social Trends

- **Rising standard of living**
  - However, disparities in distribution of wealth did not disappear
  - Richest 2% of American families owned more than 1/3 of the nation's wealth
  - Upward mobility from low to high rank jobs was common
- **Continuing demand for unskilled or semiskilled workers attracted new workforce**
  - Immigrants, women, children
  - Real wages and earning went up about 50% by 1890 and another 37% by 1914
  - **Wages increased due to decline in prices and cost of living**
- Working conditions were dreary
  - 59-hour workweek
- **Although wages were rising overall, working and living conditions remained poor**
  - High death rate in cities
  - Poor health and safety conditions in factories
  - **The United States was the only industrial nation in the world that had no workmen's compensation**
  - **Highest accident rate in the world**
  - Impersonal jobs—machinery, bureaucracy, contractual

### Child Labor

- **Growing number of child wage laborers**
  - Operating machines, digging coal, stitching shoes, peeling shrimp, canning food, blowing glass
  - Parents were desperate for income
  - 1880 one of six children were working full-time
  - In southern cotton mills, children were employed instead of African Americans
  - Little education
- **Factories, mills, mines, canneries were dangerous**
  - Respiratory diseases, poor treatment
  - State laws limiting hours were not enforced well

### Disorganized Protest

- **Civic leaders respected property rights more than the rights of labor**
  - Businessmen believed that a "labor supply" was simply another commodity
  - Idea of labor unions was slow to take hold—immigrants were unaccustomed
  - 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

- **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**

- 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

- Replacement of government by union
- **Like other radical groups, IWW split by sectarian disputes**
  - Major founders withdrew
  - **William “Big Bill” Haywood** remained and claimed leadership
    - Despised AFL and conservative labor policy
    - Instead of following Gompers’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**
  - Members were anarchists, bums, criminals
  - IWW ended during WWI
  - Leaders jailed for conspiracy—militant opposition to war
- **Wobblies left behind folklore of nomadic workingmen and heroic agitators**
  - Elizabeth Flynn: chained herself to lamppost to impede her arrest during strike
  - Joe Hill was a martyr
  - Idea of classless society did not die