

## Chapter 20

- I. The rise of big business
  - A. Causes of business growth
    1. *Technological innovation* → new products, new machinery → increased productivity
    2. *Labor shortage* → install efficient, high-speed, labor saving machinery
    3. *Standardization* b/c multistate business wants all products to be the same
    4. *Agricultural production* fueled rest of economy; wheat & corn → flour & meal
    5. *Railroad network* – gov. subsidized; East ↔ West; development of goods/services
    6. *Inexpensive power* – electricity, water, wood, coal, oil; advantage over other nations
    7. *Government* – high tariff on manufactures, land/cash for RR & internal improvements
  - B. Second industrial revolution → emergence of national/Int'l market for U.S. goods
    1. Transportation – national RR system → expanded market
    2. Electric power → urban growth, ↑ efficiency,
    3. Scientific research – applied to industry; max. productivity; new products
  - C. Railroad building
    1. Functions of railroads – 1<sup>st</sup> big business, raw materials ↔ factories ↔ retailers
    2. The transcontinental plan
      - a. **Central Pacific** – eastward of Sacramento
      - b. **Union Pacific** – Westward of Omaha
      - c. Chinese labor (coolie) – mainly on central pacific, many died, wanted to make money & return to China; worked with racism, poor pay, dangerous conditions
    3. Other main RR – Atchison, Topeka, Santa Fe RR; Northern Pacific; Southern Pacific
    4. Financing the railroads
      - a. Federal land grants, financial aid after 1850 b/c **Stephen Douglass** got it from Congress
      - b. Gov't returns on investment – linked country together, gov't land value increased, RR carried military ppl/goods; cheap mail; spurred economic growth
      - c. **Crédit Mobilier Company** over charged Union Pacific, paid off congressmen
    5. **Jay Gould's** work – bought rundown RR, made minor changes, sold for profit; ruined everything he touched
    6. **Cornelius Vanderbilt** – merged RR around Albany & Buffalo NY → RR network by New York Central
  - D. New products and inventions
    1. Refrigerated railway car – meats in west → national market → meat packing industry
    2. Corrugated rollers → crack hard wheat of Great Plains → flour milling in Minneapolis (Pillsbuys & others)
    3. Other improvements and innovations – air brake, typewriter, vacuum cleaner, steam turbines, internal combustion engine, motion picture
    4. Development of the telephone – **Alexander Graham Bell** invented → **Edison** improved at Western Union → sold to **Bell** → **American Telephone & Telegraph Co.** (monopoly)
    5. **Edison's** work with electricity – Edison Electric Illumination Co. provides DC to NY (1882), light bulb makers merge to **Edison General Electric Co.** (1888); **Westinghouse Electric Co.**'s AC wins, Edison converts from DC to AC b/c travels farther
  - E. Entrepreneurs of the era
    1. **Rockefeller** and the oil industry

- a. Background – born in NY; liked systematic organization; order to oil industry
  - b. Concentration on refining and transportation in Cleveland, OH; **Standard Oil** Co. of Ohio; eliminated competition → control 90-95% of oil refining in country; used vertical integration to save money
  - c. Development of the trust – can't do business outside of the state, needed centralized control of business → Standard Oil Trust → vulnerable to prosecution as monopoly
  - d. Evolution of the holding company b/c less vulnerable to monopoly charges; Standard Oil Company of New Jersey
2. **Andrew Carnegie** and the "Gospel of Wealth"
    - a. Background – from poor family
    - b. Concentration on steel
    - c. Philosophy for big business – kept profits from good years, bought out competition in bad years; constant innovations to reduce operating costs
3. **J. P. Morgan** and investment banking
    - a. Background – wealthy family, British born;
    - b. Concentration on railroad financing – realized it was the key to the time
    - c. Investment banking – buy corporate stocks/bonds wholesale & sell at profit
    - d. Control of organizations – demanded seats on board of directors to control company policies
    - e. Consolidation of the steel industry – purchases **Carnegie's** steel & iron holdings for \$500 mil in 1901; added others + **Rockefeller's** steel holdings → 1<sup>st</sup> billion dollar company
4. **Sears and Roebuck** and retailing
    - a. **Montgomery Ward** – traveling salesman, realized he could reach more people by mail than on foot & eliminate “middlemen” who increased prices
    - b. Retail by mail – Sears, Roebuck & Co.'s catalog sold at 40% discount b/c bought from wholesalers
    - c. Creation of national market – free rural mail delivery allowed families on farms & in small towns to purchase products previously too expensive or only available in cities

## II. Developments in labor

### A. Wealth and income

1. Standard of living increasing for most people
2. Disparities between rich and poor – 2% owned 1/3 wealth; 10% owned 3/4
3. Degree of social mobility – rags → riches rare; blue-collar → white-collar common
4. Increase in manufacturing wages – 50% 1860-1890; 37% 1890-1914

### B. Lives of workers

1. Living conditions – crowded tenements → death rates high
2. Working conditions – poor health/safety in factories; 28 major injuries/factory (1913)
  - a. America only industrial nation in world w/o workmen's compensation; highest accident rate in world
3. Bureaucracy's impersonal control – management separate from ownership → no personal relationships with owners

### C. Child Labor

1. Parents desperate for income put children to work
2. 1880 1/6 children working full time (12 hrs/ day 6 days/wk) → no education, play
3. 3x as many accidents as adult workers

4. Labor laws in some states; often ignored or work permits forged b/c money needed
  5. **Marie Van Vorst** – NY social reformer; disguised, job in textile mill; horrible conditions
- D. Violence in union activity
1. **The Molly Maguires** – Irish group rioted b/c dangerous working conditions & owner's attempt to brutally suppress unions; used violence; 10 hanged → wage reduction & miners' National Association (weak union) fell apart
  2. The railroad strike of 1877 – 10% wage cut → workers walkout on jobs; w/o organization picketers → riot; public sympathetic at first; 100 killed, millions \$ in damages; strikes failed
    - a. Demonstrated potential strength & need for organization
  3. "**Sand Lot**" incident – Anti-Chinese riots; Chinese used as scapegoats for lost jobs; anti-Chinese theme → 1882 Congress stops Chinese immigration for 10 years
- E. Efforts at union building
1. **National Labor Union** – interested in political/social reform over negotiations with employers; helped influence Congress to make 8 hr workday for federal employees & repeal **Contract Labor Law** (allowed employers to pay for laborer's passage to U.S. → took advantage of it & got people that would work for lower wages)
  2. **Knights of Labor**
    - a. Early development – **Uriah S. Stephens** (tailor) founded (1869); expanded as others collapsed during depression years
    - b. Boycotts over strikes; 1 union for all workers, skilled/un-skilled (w. exceptions)
    - c. **Terrence Powderly** – head of union, indecisive, greatest growth under his lead
    - d. **Haymarket Affair** (Chicago), 1886 – Anarchists had meeting, crowd leaving, police showed up, bomb thrown at police, 1 convicted had Rights membership card → link between Anarchism & Rights → demise of Rights
    - e. Lasting influence of the **Knights of Labor** – **Bureau of Labor Statistics** (1884), **Foran Act** of 1885 (weakly enforces, punished employers who imported contract labor, similar to indentured servants), national law for arbitration of labor disputes (1880)
  3. American Federation of Labor
    - a. Development of craft unions – skilled laborers felt they would lose bargaining power if they joined unskilled laborers
    - b. **Samuel Gompers** – president of AFL until 1924; focused on economic gains
    - c. Growth of the union – 500,000 (1900), 2 mil (1914), 4 mil (1920); most workers in transportation & building trades
- F. Violence in the 1890s
1. **Homestead Strike**, 1892 – **Homestead Works** (Carnegie Steel), **H.C. Frick** becomes pres., union contract up for renewal, reduce # of workers → lockout of union workers (fence & 300 Pinkertons) → 6 workers dead, 3 Pinkertons dead → strike ends 4 mos. later & anarchist kills **Frick**
  2. **Pullman Strike**, 1894 (**Pullman Palace Car Company** @ model town Pullman, IL)
    - a. Causes – employees required to live in Pullman, IL → pay higher prices everything (rent, goods, etc.); **Pullman** laid off 3,000/5,800 employees and cut wages 25% but didn't lower prices (rent, etc.) → strike
    - b. Role of the government – mail cars attached to Pullman cars → U.S. attorney-general hires deputies to keep trains running; **Pres. Cleveland** sends troops in

- c. Impact on **Eugene V. Debs** – sent to jail b/c interfered with interstate commerce → becomes socialist
- G. **Mother Jones (Mary Harris)** – tireless champion of the working poor; higher wages, shorter hours, safer conditions, restrictions on child labor
- H. Socialism and American labor
  - 1. **Daniel DeLeon** – proposed to build political party that would abolish state once elected; revolution at ballot box not by violence
  - 2. **Eugene Debs** – more successful than **DeLeon**; ran for president (1904, 1912 6% of vote)
  - 3. Social Democratic party
    - a. Early work – newspapers; 33 cities had socialist mayors; urban & rural support
    - b. Height of influence – 1912; WWI → split up over involvement in war
  - 4. Rise of the IWW
    - a. Sources of strength – **Western Federation of Miners**; mining & lumber camps
    - b. Revolutionary goals – the ultimate destruction of the state; replace w/ 1 union
    - c. Causes for decline – failure of silk worker strike; branded as anarchists, bums, criminals; WWI → leaders arrested for conspiracy