

Chapter 24- Industry Comes of Age

1865-1900

A. The Iron Colt Becomes an Iron Horse

- 1.** The government-business entanglements also undermined the industrial development
 - 1.** The unparalleled outburst of railroad construction was a crucial case; by 1900, the miles of railroad had spurted up to 192,556, much of which was west of MI river
 - 2.** Transcontinental railroad building was so costly and risky as to require government subsidies; the extension of rails into thinly populated regions was unprofitable
 - 3.** Private promoters were unwilling to suffer heavy initial losses; Congress thus began to advance liberal money loads to favored cross-continent companies in 1862
 - 4.** Land grant to railroads were made in broad belts along the proposed route; within these belts the railroads were allowed to choose alternate mile-square sections in checkerboard fashion (the railroads withheld all the land from other users)
- 2.** Noisy criticism was leveled at the “giveaway” of so valuable a birthright to greedy corporations; but the government did receive beneficial returns (rates for service)
- 3.** Granting land was also a “cheap” way to subsidize a much-desired transportation, because it avoided new taxes for direct cash grants; critics overlooked the railroad’s ability to give land a modest value after the railroads had ribboned it with steel
- 4.** Frontier villages touched by the magic wand of the iron rail became flourishing cities
- 5.** Those that were bypassed often withered away and became “ghost towns”; little wonder that communities fought one another for the privilege of playing host to the railroads

B. Spanning the Continent with Rails

- 1.** Deadlock in the 1850s over the proposed transcontinental railroad was broken when the South seceded, leaving the field to the North (in 1862, Congress made provisions)
 - 1.** One weighty argument for the action was the urgency of bolstering the Union, by binding the Pacific Coast more securely to the rest of the Republic
 - 2.** The Union Pacific Railroad was thus commissioned by Congress to thrust westward from Omaha, Nebraska; for each mile of track constructed, the company was granted 20 square miles of land and a generous federal loan ranging from \$16,000 to \$48,000
 - 3.** The laying of rails began in earnest after the Civil War ended in 1865 and with juicy loans and land grant available, the promoters made all possible haste (gain of \$23 M)

2. Construction gangs, containing many Irish “Paddies” who had fought in the Union armies, worked at a frantic pace; when hostile Indians attacked in futile efforts to protect what once rightfully had been their land, the laborers would drop picks and seize guns
 1. Scores of men—railroad workers and Indians—lost their lives as the rails stretched
 2. At rail’s end, workers tried their best to find relaxation and conviviality in their tented towns, known as “hells on wheels,” often teeming with as many as ten thousand men and a sprinkling of painted prostitutes and performers for the men
3. Rail laying at the California end was undertaken by the Central Pacific Railroad; this line pushed boldly eastward from Sacramento, over and through the Sierra Nevada
 1. Four farseeing men—the so-called Big Four—were the chief financial backers of the enterprise; the quartet include the ex-governor Leland Stanford of California, who had useful political connections, and the burly Collis P. Huntington, an adept lobbyist
 2. The Big Four operated through two construction companies, they kept their hands relatively clean by not becoming involved in the bribery of congressmen
4. The Central Pacific, which was granted the same subsidies as the Union Pacific, had the same incentive to haste; some ten thousand Chinese laborers, proved to be cheap, efficient, and expendable (the towering Sierra Nevada presented a formidable barrier)
5. A “wedding of the rails” was finally consummated near Ogden, Utah, in 1869, as two locomotives met (the Union built 1,086 miles and the Central Pacific 689 miles)
6. Completion of the transcontinental line was one of the America’s most impressive peacetime undertakings; it welded the West Coast more firmly to the Union and facilitated a flourishing trade with Asia (phenomenal growth of the Great West)

C. Binding the Country with Railroad Ties

1. With the westward trail now blazed, four other transcontinental lines were completed before the century’s end; none of them secured monetary loans from the federal government but all of them except the Great Northern received generous grants of land
2. The Northern Pacific Railroad, stretching from Lake Superior to Puget Sound, reached its terminus in 1883; the Atchison, Topeka and Santa Fe, stretching through the southwestern deserts to California was completed in 1884, and the Southern Pacific ribboned from New Orleans to San Francisco and was consolidated in the 1884 as well
3. The last spike of the last of the five transcontinental railroads of the 19th century was hammered home in 1893; the Great Northern, which ran from Duluth to Seattle, was the creation of a far-visioned Canadian-American, James J. Hill (greatest railroad builder?)
 1. He perceived that the prosperity of his railroad depended on the prosperity of the area that it served; his enterprise was soundly organized and had no major problems

2. Too often, pioneer builders pushed into areas that lacked enough potential population to support a railroad and sometimes laid rails that led “from nowhere to nothing”
3. Many of the large railroads in the post-Civil War decades passed through seemingly endless bankruptcies, mergers, or reorganizations (trusting investors let down)

D. Railroad Consolidation and Mechanization

1. The success of the western lines was facilitated by welding together and expanding the older eastern networks, notably the New York Central; the genius in this enterprise was “Commodore” Cornelius Vanderbilt—he shifted from steamboating to railroading
2. Offering superior railway service at lower rates, he amassed a fortune of \$100 million; his name is perhaps remembered through his contribution to the Vanderbilt University
3. Two significant new improvements proved a boon to the railroads
 1. One was the steel rail, which Vanderbilt helped popularize when he replaced the old iron tracks of the New York Central with the tougher metal; steel was safer and more economical because it could bear a heavier load
 2. A standard gauge of track width came into wide use, thus eliminating the expense and inconvenience of numerous changes from one line to another
4. refinements played a vital role in railroading; the Westinghouse air brake was a marvelous contribution to efficiency and safety; the Pullman Palace Cars, advertised as “gorgeous traveling hotels,” were introduced on a considerable scale in the 1860s
5. condemned them as “wheeled torture chambers” and potential funeral pyres, for the wooden cars were equipped with swaying kerosene lamps; appalling accidents continued to be almost daily tragedies, despite safety devices like the telegraph

E. Revolution by Railways

1. For the first time, a sprawling nation became united in a physical sense, bound with ribs of iron and steel; by stitching North America together from ocean to ocean, the trans-continental lines created an enormous domestic market for American raw materials and manufactured goods—probably the largest integrated national market area in the world
 1. The huge empire of commerce beckoned to foreign and domestic investors alike
 2. The railroad network spurred the amazing industrialization of the post-Civil War years; the locomotives opened up fresh markets for manufactured goods and sped raw materials to factories (single largest order for the fawning steel industry)
 3. The screeching iron horse stimulated mining and agriculture, especially in the West; it took farmers to their land, carried their products to the market, and brought items

2. Railways were a boon for cities and played a leading role in the great city-ward movement of the last decades of the century (food, raw materials, and markets)
3. Railroad companies also stimulated the mighty stream of immigration; seeking settlers advertised seductively in Europe and sometimes offered to transport the newcomers
4. The land also felt the impact of the railroad (especially the midsection of the continent)
 1. Settlers following the railroads in Iowa, Illinois, Kansas, and Nebraska and planted well drained, rectangular cornfields (shortgrass prairies in Dakotas, and Montana)
 2. The white pine forests of Michigan, Wisconsin, and Minnesota disappeared into lumber that was rushed by rail to prairie farmers to build houses and fences
5. Time itself was bent to the railroads' needs (until the 1880s every town in the United States had its own local time, dictated by the sun's position—even in same time zones)
 1. For railroad operators worried about keeping schedules and avoiding wrecks, this patchwork of local times was a nightmare (on November 18, 1883, the major rail lines decreed that the continent would henceforth be divided into four "time zones")
 2. The railroad was the maker of millionaires; a raw new aristocracy, consisting of "lords of the rail," replaced the other southern "lords of the lash" and colossal wealth was amassed by stock speculators and railroad wreckers

F. Wrongdoing in Railroading

1. Corruption lurks nearby when fabulous fortunes can materialize overnight
 1. The fleecing administered by the railroad construction companies, such as the Credit Mobilier, were but the first of the games that the railroad promoters learned to play
 2. Methods soon became more refined; Jay Gould was the most adept at rapacity
 3. For nearly thirty years, he boomed and busted the stocks of the Erie, the Kansas Pacific, the Union Pacific, and the Texas and Pacific in an incredible circus
2. One of the favorite devices of the moguls of manipulation was "stock watering"
 1. Railroad stock promoters grossly inflated their claims about a given line's assets and profitability and sold stocks and bonds far in excess of the railroad's actual value
 2. Promoters' profits" were often the tail that wagged the iron horse itself; railroad managers were forced to charge huge rates and wage ruthless competitive battles in order to pay off the exaggerated financial obligations with which they were saddled
3. The public interest was frequently trampled underfoot; Cornelius Vanderbilt did not care about the law and his son, William H. Vanderbilt, when asked in 1883 about the discontinuance of a fast mail train, reportedly snorted, "The public be damned!"

4. While abusing the public, the railroaders blandly bought and sold people in public life; they bribed judges and legislatures, employed lobbyists and elected their own into office
5. Railroad kings were for a time virtual industrial monarchs; they exercised more direct control over the lives of more people than did the president of the United States; they began to cooperate with one another to rule the railroad dominion
6. The earliest form of combination was the “pool”—an agreement to divide the business in a given area and share the profits; other rail barons granted secret rebates or kickbacks to powerful shippers; often they slashed their rates on competing lines, but they more than made up the difference on non-competing ones (change a little more money)

G. Government Bridles the Iron Horse

1. Impoverished farmers, especially in the Midwest, began to wonder if the nation had not escaped from the slavery power only to fall into the hands of the money power
 1. The American people were slow to combat economic injustice; dedicated to free enterprise and believing competition is the soul of trade, they cherished progress
 2. The depression of the 1870s finally goaded the farmers into protesting against being “railroaded” into bankruptcy; under pressure from organized agrarian groups like the Grange (Patrons of Husbandry), many midwestern legislatures tried to regulate the railroad monopoly (scattered state efforts screeched to a halt in 1886)
 3. Supreme Court, in the famed *Wabash* case, decreed individual states had no power to regulate interstate commerce; the federal government would have to do the job
2. President Cleveland did not look kindly on effective regulation but Congress passed the epochal Interstate Commerce Act in 1887, which prohibited rebates and pools and required the railroads to publish their rates openly; it forbade unfair discrimination against shippers, and outlawed charging more for a short haul than a long one (same line)
3. Most important, it set up the Interstate Commerce Commission (ICC) to administer
 1. The Interstate Commerce Act did not represent a popular victory over corporate wealth; what the new legislation did do was to provide an orderly forum where competing business interests could resolve their conflicts in peaceful ways
 2. The country could not avoid ruinous rate wars among the railroads and outraged “confiscatory” attacks on the lines by pitchfork-prodded state legislation
 3. The Interstate Commerce Act tended to stabilize, not revolutionize, the system
 4. It was the first large-scale attempt by Washington to regulate business in the interest of society at large; it heralded the arrival of a series of independent regulatory commissions in the next century, which would irrevocably commit the government to the daunting task of monitoring and guiding the private economy

H. Miracles of Mechanization

1. Postwar industrial expansion, partly a result of the railroad network, rapidly began to assume mammoth proportions; by 1884, the US was the largest manufacturing nation
 1. Liquid capital was now becoming abundant; the word millionaire had not been coined until the 1840s and in 1861 only a handful of individuals were eligible for this class
 2. The amazing natural resources of the nation were now about to be fully exploited, including coal, oil, and iron (Mesabi Range providing iron ore by the 1890s)
 3. Massive immigration helped make unskilled labor cheap and plentiful; steel, the keystone industry, built its strength largely on the sweat of low-priced immigrant labor from eastern and southern Europe (working in twelve-hour shifts every week)
2. American ingenuity at the same time played a vital role in the second American industrial revolution; techniques of mass production, pioneered by Eli Whitney, were being perfected by the captains of industry (440,000 patents between 1860 and 1890)
 1. Such machines as the cash register, the stock ticker, and the typewriter, which attracted women from the home to industry, facilitated business operations
 2. Urbanization was speeded by the refrigerator car, the electric dynamo, and the electric railway, which displaced animal-drawn cars (usually horses had been used)
 3. One of the most ingenious inventions was the telephone, introduced by Alexander Graham Bell in 1876; gigantic communication network was built on his invention
 4. The social impact of this instrument was further revealed with an additional army of “number please” women was attracted from the stove to the switchboard
3. The most versatile inventor of all was Thomas Alva Edison—his severe deafness enabled him to concentrate without distraction; Edison was a gifted tinkerer and a tireless worker
 1. Wondrous devices poured out of his “invention factory”—the phonograph, the mimeograph, the Dictaphone, and the moving picture
 2. He is probably best known for his perfection in 1879 of the electric light bulb; the electric light turned night into day and transformed ancient human habits as well

I. The Trust Titan Emerges

1. Tycoons like Andrew Carnegie, the steel king; John D. Rockefeller, the oil baron; and J. Pierpont Morgan, the bankers’ banker, exercised genius to circumvent competition
 1. Carnegie dug ore from the earth in the Mesabi Range, Carnegie ships floated it across the Great Lakes, and Carnegie railroads delivered it to the blast furnaces at Pittsburgh
 2. Carnegie thus pioneered the creative entrepreneurial tactic of “vertical integration,” combining into one organization all phases of manufacturing from mining to market

3. His goal was to improve efficiency by making supplies more reliable, controlling the quality of the product at all stages of production, and eliminating middlemen fees
2. Less efficient was the technique of “horizontal integration,” which meant allying with competitors to monopolize a given market; Rockefeller was a master of this stratagem
 1. He perfected a device for controlling bothersome rivals—the “trust”
 2. Stockholders in various smaller oil companies assigned their stock to the board of directors of his Standard Oil Company, formed in 1870
 3. It then consolidated and concerted the operations of the previously competing enterprises (Standard Oil soon cornered virtually the entire world petroleum market)
3. The imperial Morgan devised still other schemes for eliminating “wasteful” competition
 1. The depression of the 1890s drove into his welcoming arms many bleeding businesspeople, wounded by the cutthroat competition in America
 2. His prescribed remedy was to consolidate rival enterprises and to ensure future harmony by placing officers of his own banking syndicate on their various boards of directors (these came to be known as “interlocking directorates”)

J. The Supremacy of Steel

1. Steel ultimately held together the new steel civilization, from skyscrapers to coal scuttles, while providing it with food, shelter, and transportation (rails for railroads)
 1. Steel making typified the dominance of “heavy industry,” concentrated on making “capital goods,” which was entirely different from “consumer goods”
 2. In the age of Lincoln, considerable iron went into railroad rails and bridges, but steel was expensive; when in the 1870s “Commodore” Vanderbilt of the New York Central began to use steel rails, he was forced to import them from Britain
2. Within twenty years, the United States had outdistanced all foreign competitors and was pouring out more than one-third of the world’s supply of steel (Britain and Germany)
3. What brought the transformation was the invention in the 1850s of a method of making cheap steel—the Bessemer process (it was named after a derided British inventor)
 1. An American had stumbled on it a few years earlier; William Kelly, a Kentucky manufacturer of iron kettles, discovered that cold air blown on red-hot iron caused the metal to become white-hot by igniting the carbon and eliminating impurities
 2. He tried to apply this new “air boiling” technique to his own product but business declined—gradually the Bessemer-Kelly process won acceptance and created steel
4. American was one of the few places in the world where one could find relatively close, abundant coal for fuel, rich iron ore for smelting, and other ingredients for making steel

5. The nation also boasted an abundant labor supply, guided by the high order

K. Carnegie and Other Sultans of Steel

1. Kingpin among steelmasters was Andrew Carnegie; he was brought to America from Scotland in 1848 mounting the ladder so fast that he was said to have scorched the rungs
 1. He forged ahead by working hard, doing the extra chore, cheerfully assuming responsibility, and smoothly cultivating influential people into his business
 2. After accumulating some capital, Carnegie entered the steel business in the Pittsburgh area; he succeeded by picking high-class associate and eliminating many middlemen
 3. His remarkable organization was a partnership that involved, at its maximum, about forty men—by 1900 he was producing one-fourth of the nations' Bessemer steel
2. The financial giant of the age, J. Pierpont Morgan made a legendary reputation for himself and his Wall Street banking house by financing the reorganization of railroads, insurance companies, and banks (he had established an enviable reputation for integrity)
3. The force of circumstances brought Morgan and Carnegie into collision; by 1900 Carnegie, weary of turning steel into gold, was eager to sell his holdings while Morgan had plunged heavily into the manufacture of steel pipe and tubing
 1. Carnegie, cleverly threatening to invade the same business, was ready to ruin his rival if he did not receive his price; Morgan finally agreed to buy out Carnegie for over \$400 million—Carnegie then dedicated his remaining years to giving away money
 2. Morgan moved rapidly to expand his new industrial empire; he took the Carnegie holdings, added others, "watered" the stock liberally, and in 1901 launched the enlarged United States Steel Corporation (capitalized at \$1.4 billion, it was America's first billion-dollar corporation—the Industrial Revolution had come into its own)

L. Rockefeller Grows an American Beauty Rose

1. The sudden emergence of the oil industry was one of the most striking developments
 1. Traces of oil found on streams had been collected but not until 1859 did the first well in Pennsylvania—"Drake's Folly"—pour out its liquid "black gold"
 2. Almost overnight an industry was born that was to take more wealth from the earth
 3. Kerosene, derived from petroleum, was the first major product of the infant oil industry (it produced a much brighter flame than whale oil)
 4. The kerosene lamp signaled the decline of the whaling industry just as the new electrical industry rendered the kerosene obsolete (Thomas Edison's invention)

2. Oil might thus have remained a modest industry but for yet another turn of the technological tide—the invention of the automobile; by 1900, the gasoline-burning internal combustion engine had clearly bested its rivals, steam and electricity for the car
3. John D. Rockefeller came to dominate the oil industry; he was a successful businessman at nineteen and one upward stride led to another, and in 1870, he organized the Standard Oil Company of Ohio, nucleus of the great trust formed in 1882
 1. Pious and parsimonious, Rockefeller flourished in an era of completely free enterprise; Rockefeller pursued a policy of rule or ruin (corsairs of finance)
 2. By 1877, he controlled 95 % of all the oil refineries in the country
4. Rockefeller showed little mercy in employing spies and extorting secret rebates from the railroads, he forced the lines to pay him rebates on the freight bills of his competitors
5. Rockefeller though he was obeying a law a nature and reflected that “the time was ripe” for aggressive consolidation, but on the other side of the ledger, Rockefeller’s oil monopoly did turn out a superior product at a relatively cheap price
 1. He achieved important economies, both at home and abroad, by its large-scale methods of production and distribution—the efficient use of expensive machinery called for bigness and consolidation proved more profitable than price wars
 2. Other trusts blossomed along with the American Beauty of oil; these included the sugar trust, the tobacco trust, the leather trust, and the harvester trust (wealth)
 3. The meat industry arose on the backs of bawling western herds and meat kings like Gustavus F. Swift and Philip Armour took their place among the new royalty
6. These untrustworthy trusts and the pirates who captained them were disturbingly new
 1. They eclipsed an older American aristocracy of modestly successful merchants and professionals; an arrogant class of new rich was now elbowing aside the patricians
 2. The ranks of the antitrust crusaders were frequently spearheaded by the “best men”—genteel gold-family do-gooders who were not radicals but conservatives who tried desperately to defend their own vanishing influence among society’s best

M. The Gospel of Wealth

1. Monarchs of yore invoked the divine right of kings, and America’s industrial autocrats took a somewhat similar stance; Rockefeller piously acknowledged the Lord
 1. Steel baron Andrew Carnegie agreed that the wealthy, entrusted with society’s riches, had to prove themselves morally responsible according to a “Gospel of Wealth”
 2. But most defenders of wide-open capitalism relied more heavily on the survival-of-the-fittest theories of Charles Darwin; captains of industry provided material progress

2. Self-justification by the wealth inevitably involved contempt for the poor; many of the rich had pulled themselves up and hence they concluded that those who stayed poor must be lazy and lacking in enterprise (formidable roadblock to social reform)
3. Plutocracy, like the earlier slavocracy, took its stand firmly on the Constitution; the clause that gave Congress sole jurisdiction over interstate commerce was a godsend to the monopolists—their lawyers used it time and again to thwart controls by state legislatures
 1. Giant trusts likewise sought refuge behind the Fourteenth Amendment; the courts ingeniously interpreted a corporation to be a legal “person” and decreed that, as such, it could not be deprived of its property by a state without “due process of law”
 2. Great industrialists sought to incorporate in “easy states,” like New Jersey, where the restrictions on big business were mild or nonexistent

N. Government Tackles the Trust Evil

1. At long last the masses of the people began to mobilize against monopoly; they first tried to control the trusts through state legislation, as they had earlier (curb railroads)
 1. They were forced to appeal to Congress and after prolonged pulling and hauling, the Sherman Anti-Trust Act of 1890 was finally signed into law
 2. It flatly forbade combinations in restraint of trade, without any distinction between “good” trusts and “bad” trusts; bigness, not badness, was the sin
 3. The law proved ineffective because of legal loopholes and contrary to its original intent, it was used to curb labor unions or labor combinations (restraining trade)
2. Early prosecution of the trusts by the Justice Department under the Sherman Act of 1890 was neither vigorous nor successful—more new trusts were formed in the 1890s
3. The iron grip of monopolistic corporations was being threatened; a revolutionary new principle had been written into the law; private greed must be subordinated to public need

O. The South in the Age of Industry

1. The industrial wave that washed over the North after the Civil War caused only feeble ripples in the backwater of the South; as late as 1900, the South still produced a smaller percentage of the nation’s manufactured goods than it had before the Civil War
2. The plantation system had degenerated into a pattern of absentee land ownership; white and black sharecroppers now tilled the soil for a share of the crop and became tenants, in bondage to their landlords, who controlled needed credit and supplies
3. Southern agriculture received a welcome boost in the 1880s, when machine-made cigarettes replaced the roll-your-own variety and tobacco consumption shot up

4. James Duke took full advantage of the new technology to mass-produce and in 1890 he absorbed his main competitors into the American Tobacco Company (Duke University)
5. Industrialists tried to coax the agricultural South out of the fields and into the factories, but with only modest success; the region remained overwhelmingly rural
 1. Prominent among the boosters of a “new South” was Henry W. Grady, editor of the Atlanta Constitution; he exhorted the ex-Confederates to outplay the North at the commercial and industrial game (obstacles lay in path of southern industrialization)
 2. One was the paper barrier of regional rate-setting systems imposed by the northern-dominated railroad interests; railroads gave preferential rates to northern goods
 3. They discriminated in favor of southern raw materials; the net effect was to keep the south in a kind of “Third World” servitude to the Northeast—as a supplier of raw materials to the manufacturing metropolis, unable to develop an industrial base
6. A bitter example of this economic discrimination against the South was the “Pittsburgh plus” pricing system in the steel industry (rich deposits of coal and iron ore near Birmingham, Alabama, should have given steel manufacturers the competitive edge)
7. But the steel lords of Pittsburgh brought pressure to bear on the compliant railroads; this stunted the South’s natural economic advantages throttled the growth of the steel industry
8. In manufacturing cotton textiles, the South fare considerably better; beginning about 1880, northern capital began to erect cotton mills in the South, largely in response to tax benefits and the prospect of cheap and non-unionized labor
 1. The textile mills proved a mixed blessing to the economically blighted South; they slowly wove an industrial thread into the fabric of southern life (human cost)
 2. Cheap labor was the South’s major attraction for potential investors and keeping labor cheap became a “religion” among southern industrialists (denominated communities)
 3. Rural southerners (most white) poured out of the hills and hollows to seek employment in the hastily erected company mill towns; entire families worked from dawn to dusk amid the whirling spindles (paid half the rate of northern counterparts)
 4. But despite depressed working conditions and poor pay, many southerners saw employment in the mills as a salvation, the first steady jobs and wages they had ever known—mill work offered farm-fugitive families their chance to remain together

P. The Impact of New Industrial Revolution in America

1. Economic miracles wrought during the decades after the Civil War enormously increased the wealth of the Republic; the standard of living rose sharply, and well-fed American workers enjoyed more physical comforts than counterparts in any other nation

1. Urban centers mushroomed as the insatiable factories demanded more American labor and immigrants swarmed in like honeybees to the new jobs
2. As agriculture declined in relation to manufacturing, America could no longer aspire to be a nation of small free-hold farms (Jefferson's concepts of free enterprise out)
3. Rural American migrants and peasant European immigrants, used to living by the languid clock of nature, now had to regiment their lives by the factory whistle
2. Probably no single group was more profoundly affected by the new industrial age than women; propelled into industry by recent inventions, chiefly the typewriter and the telephone switchboards, millions discovered new economic and social opportunities
 1. For middle-class women, careers often meant delayed marriages and smaller families; most women workers, toiled neither for independence nor for glamour, but out of economic necessity—women earned less than men in the workplace
 2. The clattering machine age accentuated class division; "industrial buccaneers" flaunted bloated fortunes and such extravagances evoked bitter criticism; some of it was envious but much of it rose from group of socialists and other radicals
3. A nation of farmers and independent producers was becoming a nation of wage earners; in 1860 half of all workers were self-employed; by the century end, 2/3 were on wages
4. Real wages were rising and times were good for workers who were working; but with dependence on wages came vulnerability to the swings of the economy and employer
5. Nothing more sharply defined the growing difference between working-class and middle-class conditions of life than the precariousness of the laborer's lot (reformers struggled to introduce a measure of security—job and unemployment—into the working class)
6. Strong pressures for foreign trade developed as the industrial machine threatened to saturate the domestic market (American products radiated out all over the world)

Q. In Unions There is Strength

1. Sweat of the laborer lubricated the vast new industrial machine; individual originality and creativity were being stifled, and less value was being placed on manual skills
 1. The factory hand was employed by a corporation—depersonalized, bodiless, soulless, and often conscienceless; the directors knew the worker not and in fairness to their stockholders they were inclined to engage in private philanthropy
 2. New machines displaced employees, and though in the long run more jobs were created than destroyed, in the short run the manual worker was often hard hit
 3. A glutted labor market severely handicapped wage earners; employers could bring in unemployed workers from the four corners of the country and beyond to beat down high wage levels using the vast new railroad network in the United States

4. During the 1880s and 1890s, several hundred thousand unskilled workers a year poured into the country from Europe, creating a labor market more favorable
2. Individual workers were powerless to battle single-handedly against giant industry; forced to organize and fight for basic rights, they found the odds stacked up against them
 1. The corporation could dispense with the individual worker much more easily than the worker could dispense with the corporation; they could pool vast wealth through stockholders, have lawyers, buy up the local press, and pressure the politicians
 2. They could import strikebreakers (“scabs”) and employ thugs to beat labor organizers
 3. They could call upon the federal courts to issue injunctions ordering strikers to cease striking—if defiance and disorders ensued, the company could request the state and federal authorities to bring in troops (rebellious workers locked out by employers)
 4. They could compel them to sign “ironclad oaths” or “yellow-dog contracts” both of which were solemn agreements not to join a labor union; a corporation might even own the “company town,” with its high-priced grocery stores and “easy” credit
 5. Often the worker sank into perpetual debt—resembled that of serfdom
3. The middle-class public, annoyed by recurrent strikes, grew deaf to the outcry of the worker; American wages were perhaps the highest in the world; yet somehow the strike seemed like a foreign importation—socialistic and hence unpatriotic (raise prices)

R. Labor Limp Along

1. Labor unions were given a strong boost by the Civil War, which put more of a premium on labor and the mounting cost of living provided an urgent incentive to unionization
 1. By 1872 there were several hundred thousand organized workers and thirty-two national unions, representing such crafts as bricklayer, typesetters, and shoemakers
 2. The National Labor Union represented a giant boot stride by workers; the union lasted six years attracting 600,000 members, including skilled, unskilled and farmers
 3. But it kept with the times, it excluded the Chinese and made only nominal efforts to include women and blacks; black workers organized their Colored National Labor Union but their support for Republican party and racism of whites prevented union
 4. The National Labor Union agitated for the arbitration of industrial disputes and the eight-hour workday, and won the latter for government workers
 5. But the devastating depression of the 1870s dealt it a knockout blow; labor was rocked back on its heels during the years of the depression; wage reductions in 1877 touched off such disruptive strikes on the railroads that only troops could restore

2. A new organization—the Knights of Labor—seized the torch drooped by the defunct National Labor Union; it began inauspiciously in 1869 as a secret society, with a private ritual, passwords, and a special handshake Secrecy (continued until 1881)
3. The Knights of Labor sought to include all workers in “one big union”
 1. A welcome mat was rolled out for the skilled and unskilled, for men and women, for whites and underprivileged blacks, some 900,000 of whom joined (the Knights barred only “nonproducers”—liquor dealers, gamblers, lawyers, bankers, and stockbrokers)
 2. The embattled Knights refused to thrust their lance into politics; instead they campaigned for economic and social reform, including producers’ cooperatives and codes for safety and health (they frowned upon industrial warfare)
 3. Fostering industrial arbitration—the Knights waged a determined campaign for an eight-hour workday—under the leadership of Powderly, they won a number of strikes
 4. When the Knights staged a successful strike against Jay Gould’s Wabash Railroad in 1885, membership mushroomed to about three-quarters of a million workers

S. Unhorsing the Knights of Labor

1. The Knights were riding for a fall; they became involved in a number of May Day strikes in 1886, about half of which failed; a focal point was Chicago, home to 80,000
 1. Chicago was also home to a few hundred anarchists, many of them foreign-born, who were advocating a violent overthrow of the American government
 2. Tensions built up in the bloody Haymarket Square episode; labor disorders had broken out, and on May 4, 1886, the Chicago police advanced on a meeting
 3. Suddenly a dynamite bomb was thrown that killed/injured several dozen people
2. Hysteria swept the Windy City; eight anarchists were rounded up five of whom were sentenced to death, one who committed suicide, and the other three given prison terms
3. In 1892, John Altgeld was elected governor of Illinois and after studying the Haymarket case, he pardoned the three survivors—he was criticized and lost in the reelection
4. The Haymarket Square bomb helped blow the props from under the Knights of Labor
 1. They were associated in the public mind, though mistakenly, with the anarchists—the eight-hour movement suffered correspondingly and strikes became ineffective
 2. Another fatal handicap of the Knights was their inclusion of both skilled and unskilled workers; unskilled labor could easily be replaced by strike-breaking “scabs”
 3. They finally wearied of sacrificing this advantage on the altar of solidarity with their unskilled coworkers and sought refuge in a federation of exclusively skilled craft unions—the American Federation of Labor (desertion of skilled unionists was bad)

5. By 1890s the Holy Order of the Knights of Labor had melted away to 100,000 members, and these gradually fused with other protest groups of that decade

T. The AF of L to the Fore

1. The elitist American Federation of Labor (1886) was the brainchild of Samuel Gompers
 1. A Jewish cigar maker, he rose spectacularly in the labor ranks and was elected president of the American Federation of Labor every year (from 1886 to 1924)
 2. The American Federation of Labor was a federation—it consisted of an association of self-governing national unions, each of which kept its own independence
 3. Gompers shunned politics for economic strategies and goals—he demanded a fairer share for labor—promoting what he called a “pure and simple” unionism, he sought better wages, hours, and working conditions (bitter here and now)
2. A major goal of Gompers was the “trade agreement” authorizing the “closed shop”—or all-union labor—his chief weapons were the walkout and the boycott (prolonged strikes)
3. The AF of L established itself on solid by narrow foundations; composed of skilled craftsmen, the federation was still basically nonpolitical (punish foes at the polls)
4. By 1900 it could boast a membership of 500,000; labor disorders continued (only 3%)
5. The public was beginning to concede the right of workers to organize, to bargain collectively, and to strike (Congress made Labor Day a legal holiday in 1894)