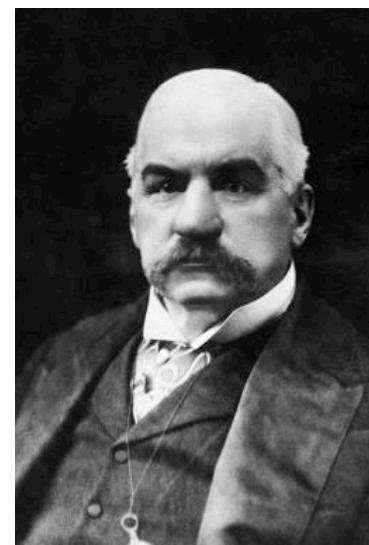




# Industrialization in US & Canada

# Managerial Revolution & JP Morgan

- New system of management that was separated from ownership; impersonal nature
- BLUM: Morgan “symbol of American financial power”; natural RRs should come to him in times of trouble (1893)
- Results: Bankers controlled reorganization of RRs → not ideal, but did curb anarchy & improved management & efficiency.
- Time zones!



*"Well, I don't know as I want a lawyer to tell me what I cannot do. I hire him to tell how to do what I want to do."*

*J. P. Morgan*

# New Business Practices

- **Corporation Pools** – Informal org. of several corps. which divide business operations amongst themselves
  - Goals: Eliminate competition & fix prices
  - **Interstate Commerce Act** makes them illegal
- **Powerful Trusts** – business orgs. that granted trust certificates to stockholders in order to control all stocks  
→ extra profits received from monopoly forces would be returned for certificates
  - Results: Closed small businesses, raised prices
  - **Sherman** makes them illegal

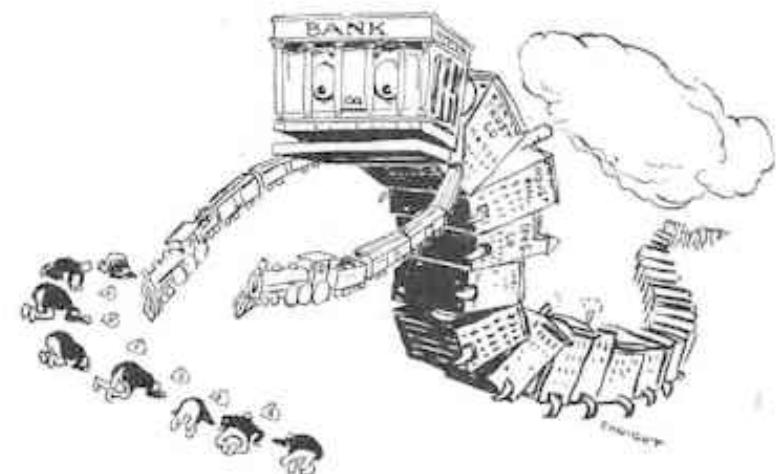


- **Holding Companies** – Charter corps. Formed to buy controlling stock in other corporations;
  - Goal: monopolize an industry
  - Sherman Antitrust Act could revoke charter; still active
- **Interlocking Directorates** – Groups of persons who served as directors for more than one corp.
  - Results: Est. uniform policies for an entire industry; could create monopolies
  - Sherman Antitrust Act could make it illegal if could prove it was a monopoly

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## SEARS HOLDINGS

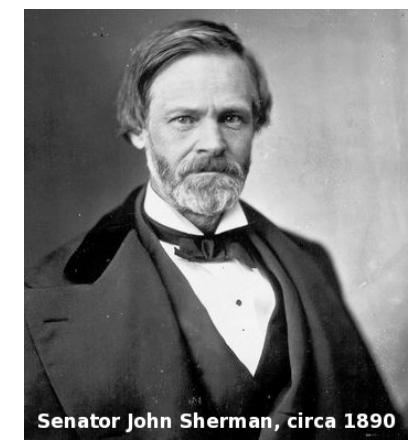
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*The Money Trust Snake*

# Interstate Commerce & Sherman

- **Interstate Commerce Act (1887)** – No RR discrimination, published rates, no pooling, “reasonable & just” prices
  - **BLUM**: Tough to interpret, administer & enforce; no immediate answer b/c merely a sign Congress was doing something to stop big business it definitely supported
- **Sherman Anti-trust Act (1890)** – Concern for small business, capitalism & consumers; trusts against American values → Trusts illegal, fixed penalties for violators, corporations = people
  - **BLUM**: Lawyers wrecked it. Catch-22 (472)



Senator John Sherman, circa 1890

# Challenges to Big Business

- 1877 – *Munn v. Illinois* – SCOTUS rules that in the absence of federal policies on regulation of industry state legislatures can regulate as long as they have the "common good" in mind
- 1886 – *Wabash, St. Louis and Pacific Railway Co. v. Illinois* – SCOTUS overturns previous decision and ruled that it was invalid on grounds that it was the exclusive power of Congress to regulate industry



- 1887 – Interstate Commerce Act passed
- 1890 – Sherman Antitrust Act passed
- 1895 – *US v. E.C. Knight Co.* – Blow to Sherman; American Sugar Refining Co. was not considered illegal because manufacturing not = commerce under the Sherman Act



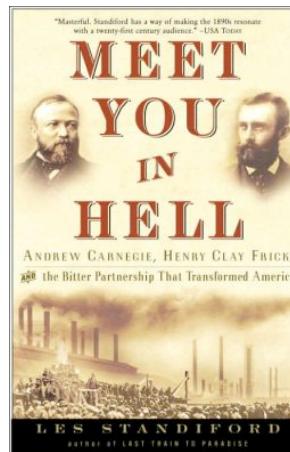
# Banking Industry

- Goals: Limiting competition and maximizing profits
  - Charged huge fees for their services
  - Issued stock that was heavily watered down



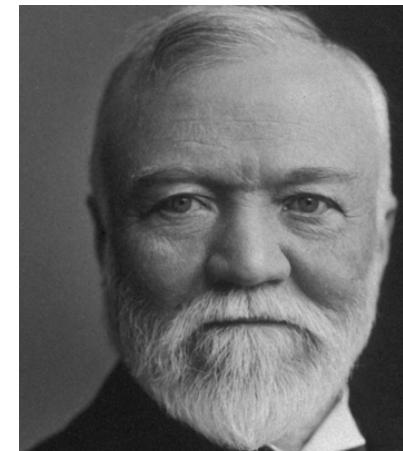
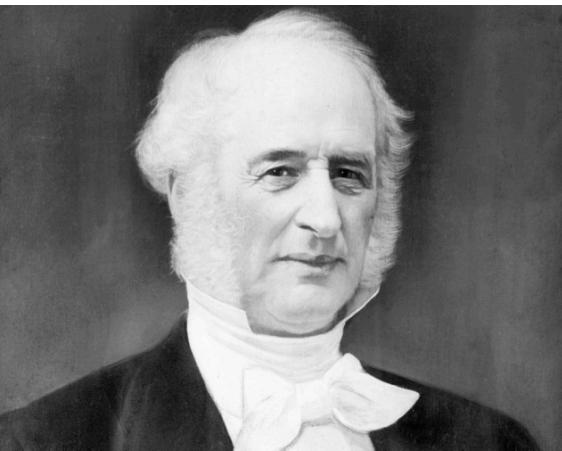
# Steel Industry

- 1867: 1643 tons of steel → 1897: 7.1M
  - 20x longer life than iron for RRs
- Cutthroat tactics, price slashing and blackmail
- Ran plants at loss rather than remain idle
- Sought rebates and formed pools
- Bought out competitors
- Pitted competitors against one another



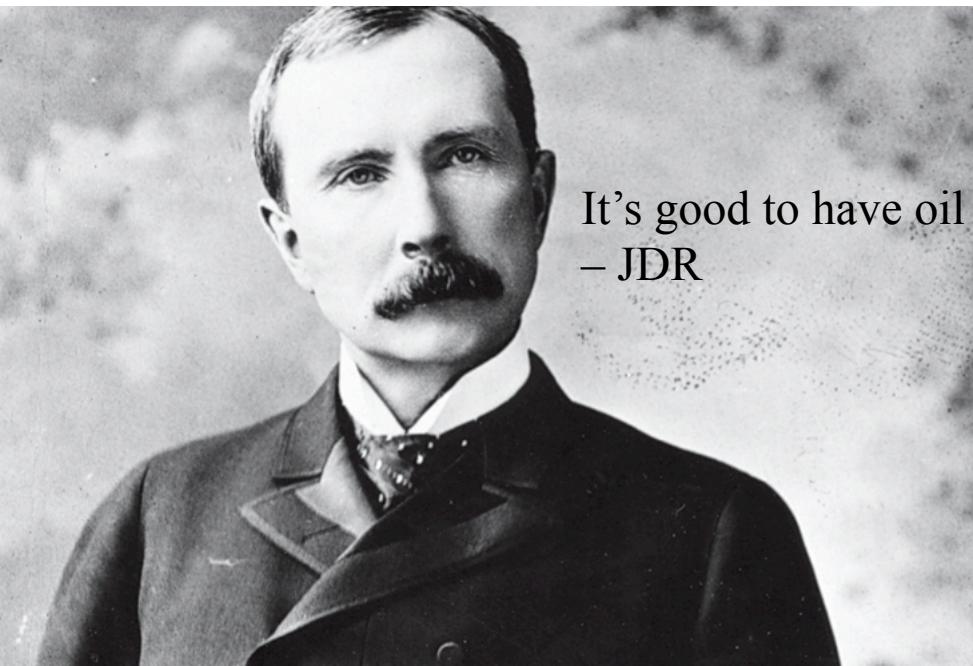
# Captains of Industry...

- **Cornelius Vanderbilt** – Consolidated the railroads (stopped passenger transfers 17 times between NY and Chicago), steel rails and steel bridges, double tracks, new locomotives and terminals
- **Andrew Carnegie** – Mass production of steel, sold company to **JP Morgan** and 11 steel companies joined to become **US Steel Corp.**; shift of industrial capitalism → financial capitalism, philanthropy



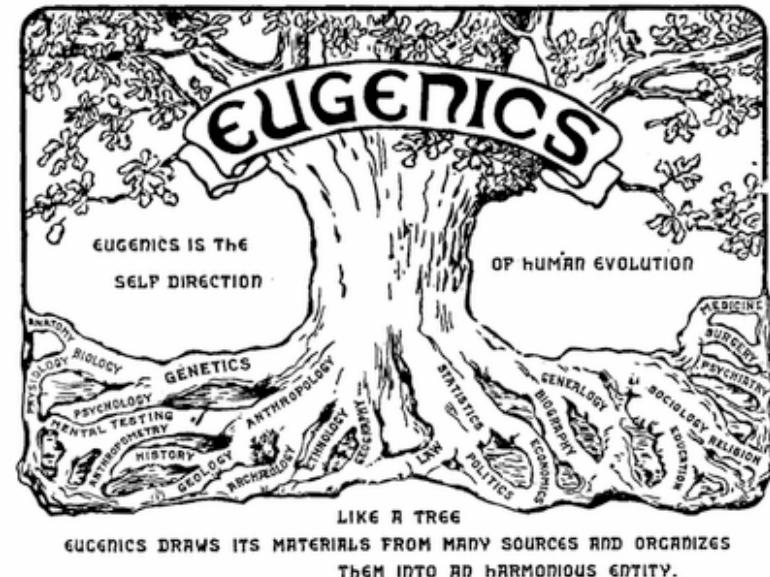
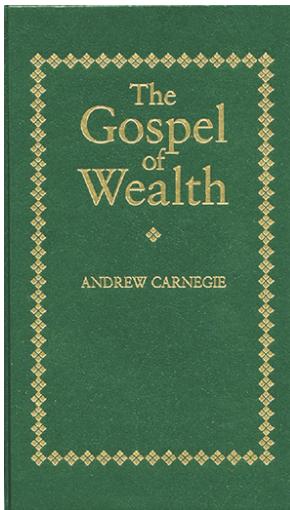
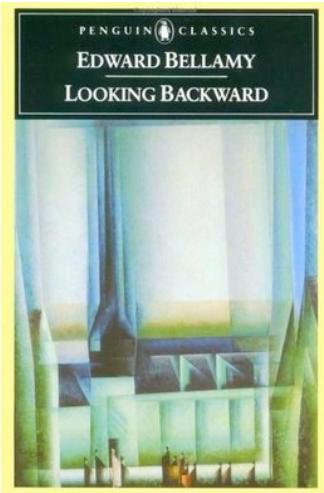
# ...or Robber Barons

- **John D. Rockefeller – Standard Oil Co.** – Hated free competition → pioneer in concept of trusts, order and efficiency to oil industry, philanthropist (some say richest in history)
  - Positive & negative impacts (471)



# American Industrialization

- Industrial Capitalism → Financial Capitalism
  - New conservative push to democracy identified with the laissez-faire part of capitalism
  - Followed policies of **Herbert Spencer** (**Social Darwinism**)
  - US prof. **Lester Frank Ward** – Difference b/w animal and human economies → people have responsibility to help less fortunate



# William Graham Sumner

- Against protectionism and imperialism; supporter of Spencer; advocate of Gospel of Wealth
  - American economy controlled for benefit of aristocracy, leaders brought to top thru competition and survival of fittest
  - Politicians didn't follow process of natural selection and therefore not warranted to regulate business
  - State shouldn't interfere with business
  - Slums and poverty natural problem but little could be done by state to solve the problem
  - Wealthy should try and help alleviate suffering of underprivileged

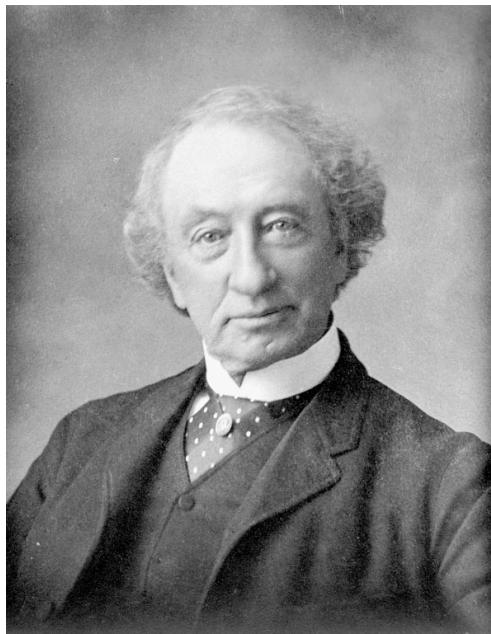


*"The forgotten man... He works, he votes, generally he prays, but his chief business in life is to pay."*

*William Graham Sumner*

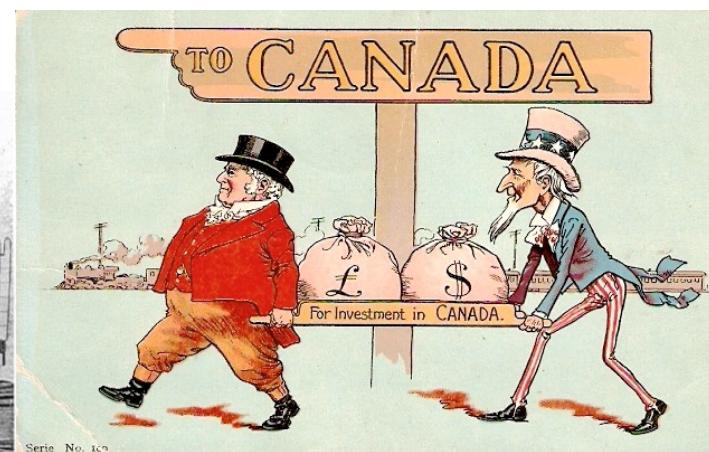
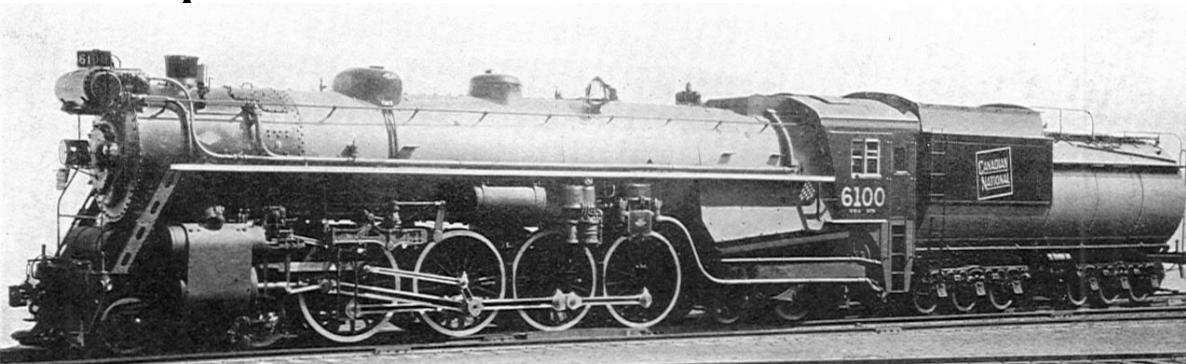
# Canadian Comparison

- Growth of the state and economic growth went hand in hand
- Stressed protective tariff policy (Macdonald's Conservative Govt. → **National Policy**)
- Strategy of "defensive expansion" based on east-west axis of trade distinct from the US



# Canadian Timeline

- 1850 – Developed canal system (way after US)
- 1853 – St. Lawrence and Atlantic Railways open; followed by Great Western Railway and Northern Railway
- 1854 – Reciprocity treaty with the US – Br. N. Am. Gains reciprocity in trade in natural products in return for fishing off Canada → US cancelled treaty in 1866 when demand for raw materials lessened
- 1873 – Worldwide depression leads Canada into revival of protectionism



# MacDonald's National Policy “Dream”

- Tariffs on imports raised from 10% to 25-41% on man. goods
- **Canadian Pacific Railway** – Renewed plan for transcontinental railway → huge subsidies given to developers
  - Built by Chinese and Irish immigrants
  - By 1883 53% of financing was through American cos.
- Close relationship between govt. and business
  - Protective tariff (1879) was created for CAN manufacturers by gov
  - CPR syndicate gained money from gov. → in return syndicate gave \$1 million to Conservative election committee



# Liberal Comeback? No.

- **BENNETT**: Macdonald's policy didn't help much in econ. or pop. growth 1873-93
- 1887 – **Wilfrid Laurier** runs for PM w/ free trade platform, but Mac defends w/ protectionism & is reelected → “Old Man, Old Flag, Old Policy”



“As the 19th century was that of the United States, so I think the 20th century shall be filled by Canada.”



# Canadian Working Conditions

- Same as US → harsh w/ impersonal management
  - 10-12hr. workday; Child labor
    - Lower wages for women & children
- Immigration slower than US, but still caused labor surplus → difficult for unions
  - **9hr. Movement** (1872) – First labor push in Canada from UK actually influenced US's 8hr. workday
    - Undermined by Macdonald's **Trade Union Act**



# Canadian Farmers

- Overproduction causes prices to fall 1880s-90s
  - Hurt by protectionism, CPR monopoly
- Tried to organize into Grange (1874) to control freight rates → failed
- **Patrons** were kind of like Populists & railed against National Policy

