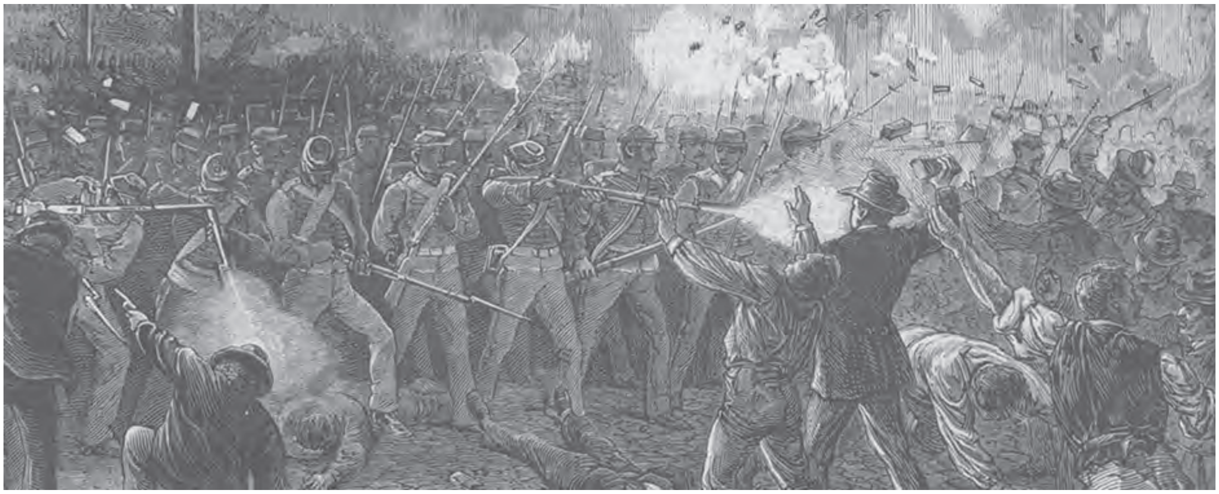

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Capital and Labor

I. Introduction

A Maryland National Guard unit fires on strikers during the Great Railroad Strike of 1877. *Harper's Weekly*, via Wikimedia.

The Great Railroad Strike of 1877 heralded a new era of labor conflict in the United States. That year, mired in the stagnant economy that followed the bursting of the railroads' financial bubble in 1873, rail lines slashed workers' wages (even, workers complained, as they reaped enormous government subsidies and paid shareholders lucrative stock dividends). Workers struck from Baltimore to St. Louis, shutting down railroad traffic—the nation's economic lifeblood—across the country.

Panicked business leaders and friendly political officials reacted quickly. When local police forces would not or could not suppress the strikes, governors called out state militias to break them and restore rail service. Many strikers destroyed rail property rather than allow militias to reopen the rails. The protests approached a class war. The governor of Maryland deployed the state's militia. In Baltimore, the militia fired into a crowd of striking workers, killing eleven and wounding many more. Strikes convulsed towns and cities across Pennsylvania. The head of the Pennsylvania Railroad, Thomas Andrew Scott, suggested that if workers were unhappy with their wages, they should be given “a rifle diet for a few days and see how they like that kind of bread.”[1] Law enforcement in Pittsburgh refused to put down the protests, so the governor called out the state militia, who killed twenty strikers with bayonets and rifle fire. A month of chaos erupted. Strikers set fire to the city, destroying dozens of buildings, over a hundred engines, and over a thousand cars. In Reading, strikers destroyed rail property and an angry crowd bombarded militiamen with rocks and bottles. The militia fired into the crowd, killing ten. A general strike erupted in St. Louis, and strikers seized rail depots and declared for the eight-hour day and the abolition of child labor. Federal troops and vigilantes fought their way into the depot, killing eighteen and breaking the strike. Rail lines were shut down all across neighboring Illinois, where coal miners struck in sympathy, tens of thousands gathered to protest under the aegis of the Workingmen’s Party, and twenty protesters were killed in Chicago by special police and militiamen.

Courts, police, and state militias suppressed the strikes, but it was federal troops that finally defeated them. When Pennsylvania militiamen were unable to contain the strikes, federal troops stepped in. When militia in West Virginia refused to break the strike, federal troops broke it instead. On the orders of the president, American soldiers were deployed all across northern rail lines. Soldiers moved from town to town, suppressing protests and reopening rail lines. Six weeks after it had begun, the strike had been crushed. Nearly 100 Americans died in “The Great Upheaval.” Workers destroyed nearly $40 million worth of property. The strike galvanized the country. It convinced laborers of the need for institutionalized unions, persuaded businesses of the need for even greater political influence and government aid, and foretold a half century of labor conflict in the United States.[2]

II. The March of Capital

Growing labor unrest accompanied industrialization. The greatest strikes first hit the railroads only because no other industry had so effectively marshaled together capital, government support, and bureaucratic management. Many workers perceived their new powerlessness in the coming industrial order. Skills mattered less and less in an industrialized, mass-producing economy, and their strength as individuals seemed ever smaller and more insignificant when companies grew in size and power and managers grew flush with wealth and influence. Long hours, dangerous working conditions, and the difficulty of supporting a family on

John Pierpont Morgan with two friends, c. 1907. Library of Congress.

meager and unpredictable wages compelled armies of labor to organize and battle against the power of capital.

The post–Civil War era saw revolutions in American industry. Technological innovations and national investments slashed the costs of production and distribution. New administrative frameworks sustained the weight of vast firms. National credit agencies eased the uncertainties surrounding rapid movement of capital between investors, manufacturers, and retailers. Plummeting transportation and communication costs opened new national media, which advertising agencies used to nationalize various products.

By the turn of the century, corporate leaders and wealthy industrialists embraced the new principles of scientific management, or Taylorism, after its noted proponent, Frederick Taylor. The precision of steel parts, the harnessing of electricity, the innovations of machine tools, and the mass markets wrought by the railroads offered new avenues for efficiency. To match the demands of the machine age, Taylor said, firms needed a scientific organization of production. He urged all manufacturers to increase efficiency by subdividing tasks. Rather than having thirty mechanics individually making thirty machines, for instance, a manufacturer could assign thirty laborers to perform thirty distinct tasks. Such a shift would not only make workers as interchangeable as the parts they were using, it would also dramatically speed up the process of production. If managed by trained experts, specific tasks could be done quicker and more efficiently. Taylorism increased the scale and scope of manufacturing and allowed for the flowering of mass production. Building on the use of interchangeable parts in Civil War–era weapons manufacturing, American firms advanced mass production techniques and technologies. Singer sewing machines, Chicago packers' "disassembly" lines, McCormick grain reapers, Duke cigarette rollers: all realized unprecedented efficiencies and achieved unheard-of levels of production that propelled their companies into the forefront of American business. Henry Ford made the assembly line famous, allowing the production of automobiles to skyrocket as their cost plummeted, but various American firms had been paving the way for decades.[3]

Cyrus McCormick had overseen the construction of mechanical reapers (used for harvesting wheat) for decades. He had relied on skilled blacksmiths, skilled machinists, and skilled woodworkers to handcraft horse-drawn machines. But production was slow and the machines were expensive. The reapers still enabled massive efficiency gains in grain farming, but their high cost and slow production times put them out of reach of most American wheat farmers. But then, in 1880, McCormick hired a production manager who had overseen the manufacturing of Colt firearms to transform his system of production. The Chicago plant introduced new jigs, steel gauges, and pattern machines that could make precise duplicates of new, interchangeable parts. The company had produced twenty-one thousand machines in 1880. It made twice as many in

Glazier Stove Company moulding room, Chelsea, Michigan, c. 1900–1910. Library of Congress.

1885, and by 1889, less than a decade later, it was producing over one hundred thousand a year.[4]

Industrialization and mass production pushed the United States into the forefront of the world. The American economy had lagged behind Britain, Germany, and France as recently as the 1860s, but by 1900 the United States was the world's leading manufacturing nation. Thirteen years later, by 1913, the United States produced one third of the world's industrial output—more than Britain, France, and Germany combined.[5]

Firms such as McCormick's realized massive economies of scale: after accounting for their initial massive investments in machines and marketing, each additional product lost the company relatively little in production costs. The bigger the production, then, the bigger the profits. New industrial companies therefore hungered for markets to keep their high-volume production facilities operating. Retailers and advertisers sustained the massive markets needed for mass production, and corporate bureaucracies meanwhile allowed for the management of giant new firms. A new class of managers—comprising what one prominent economic historian called the "visible hand"—operated between the worlds of workers and owners and ensured the efficient operation and administration of mass production and mass distribution. Even more important to the growth and maintenance of these new companies, however, were the legal creations used to protect investors and sustain the power of massed capital.[6]

The costs of mass production were prohibitive for all but the very wealthiest individuals, and, even then, the risks would be too great to bear individually. The corporation itself was ages old, but the actual right to incorporate had generally been reserved for public works projects or government-sponsored monopolies. After the Civil War, however, the corporation, using new state incorporation laws passed during the Market Revolution of the early nineteenth century, became a legal mechanism for nearly any enterprise to marshal vast amounts of capital while limiting the liability of shareholders. By washing their hands of legal and financial obligations while still retaining the right to profit massively, investors flooded corporations with the capital needed to industrialize.

But a competitive marketplace threatened the promise of investments. Once the efficiency gains of mass production were realized, profit margins could be undone by cutthroat competition, which kept costs low as price cutting sank into profits. Companies rose and fell—and investors suffered losses—as manufacturing firms struggled to maintain supremacy in their particular industries. Economies of scale were a double-edged sword: while additional production provided immense profits, the high fixed costs of operating expensive factories dictated that even modest losses from selling underpriced goods were preferable to not selling profitably priced goods at all. And as market share was won and lost, profits proved unstable. American industrial firms tried everything to avoid competition: they formed informal pools and trusts, they entered price-fixing agreements, they divided markets, and, when blocked by antitrust laws and renegade price cutting, merged into consolidations. Rather than suffer from ruinous competition, firms combined and bypassed it altogether.

Between 1895 and 1904, and particularly in the four years between 1898 and 1902, a wave of mergers rocked the American economy. Competition melted away in what is known as "the great merger movement." In nine years, four thousand companies—nearly 20 percent of the American economy—were folded into rival firms. In nearly every major industry, newly consolidated firms such as General Electric and DuPont utterly dominated their market. Forty-one separate consolidations each controlled over 70 percent of the market in their respective industries. In 1901, financier J. P. Morgan oversaw the formation of United States Steel, built from eight leading steel companies. Industrialization was built on steel, and one firm—the world's first billion-dollar company—controlled the market. Monopoly had arrived.[7]

III. The Rise of Inequality

Industrial capitalism realized the greatest advances in efficiency and productivity that the world had ever seen. Massive new companies marshaled capital on an unprecedented scale and provided enormous profits that created unheard-of fortunes. But it also created millions of low-paid, unskilled, unreliable jobs with long hours and dangerous working conditions. Industrial capitalism confronted Gilded Age Americans with unprecedented inequalities. The sudden appearance of the extreme wealth of industrial and financial leaders alongside the crippling squalor of the urban and rural poor shocked Americans. "This association of poverty with progress is the great enigma of our times," economist Henry George wrote in his 1879 bestseller, *Progress and Poverty*.[8]

The great financial and industrial titans, the so-called robber barons, including railroad operators such as Cornelius Vanderbilt, oilmen such as J. D. Rockefeller, steel magnates such as Andrew Carnegie, and bank-

Vanderbilt mansion, The Breakers. Newport, Rhode Island, c. 1904. Library of Congress.

ers such as J. P. Morgan, won fortunes that, adjusted for inflation, are still among the largest the nation has ever seen. According to various measurements, in 1890 the wealthiest 1 percent of Americans owned one fourth of the nation's assets; the top 10 percent owned over 70 percent. And inequality only accelerated. By 1900, the richest 10 percent controlled perhaps 90 percent of the nation's wealth.[9]

As these vast and unprecedented new fortunes accumulated among a small number of wealthy Americans, new ideas arose to bestow moral legitimacy upon them. In 1859, British naturalist Charles Darwin published his theory of evolution through natural selection in his *On the Origin of Species*. It was not until the 1870s, however, that those theories gained widespread traction among biologists, naturalists, and other scientists in the United States and, in turn, challenged the social, political, and religious beliefs of many Americans. One of Darwin's greatest popularizers, the British sociologist and biologist Herbert Spencer, applied Darwin's theories to society and popularized the phrase *survival of the fittest*. The fittest, Spencer said, would demonstrate their superiority through economic success, while state welfare and private charity would lead to social degeneration—it would encourage the survival of the weak.[10]

"There must be complete surrender to the law of natural selection," the *Baltimore Sun* journalist H. L. Mencken wrote in 1907. "All growth must occur at the top. The strong must grow stronger, and that they may

"Five Cents a Spot": unauthorized immigrant lodgings in a Bayard Street tenement. New York City, c. 1890. Library of Congress.

do so, they must waste no strength in the vain task of trying to uplift the weak."[11] By the time Mencken wrote those words, the ideas of social Darwinism had spread among wealthy Americans and their defenders. Social Darwinism identified a natural order that extended from the laws of the cosmos to the workings of industrial society. All species and all societies, including modern humans, the theory went, were governed by a relentless competitive struggle for survival. The inequality of outcomes was to be not merely tolerated but encouraged and celebrated. It signified the progress of species and societies. Spencer's major work, *Synthetic Philosophy*, sold nearly four hundred thousand copies in the United States by the time of his death in 1903. Gilded Age industrial elites, such as steel magnate Andrew Carnegie, inventor Thomas Edison, and Standard Oil's John D. Rockefeller, were among Spencer's prominent followers. Other American thinkers, such as Yale's William Graham Sumner, echoed his ideas. Sumner said, "Before the tribunal of nature a man has no more right to life than a rattlesnake; he has no more right to liberty than any wild beast; his right to pursuit of happiness is nothing but a license to maintain the struggle for existence."[12]

But not all so eagerly welcomed inequalities. The spectacular growth of the U.S. economy and the ensuing inequalities in living conditions and incomes confounded many Americans. But as industrial capitalism overtook the nation, it achieved political protections. Although both major political parties facilitated the rise of big business and used state power to support the interests of capital against labor, big business looked primarily to the Republican Party.

The Republican Party had risen as an antislavery faction committed to “free labor,” but it was also an ardent supporter of American business. Abraham Lincoln had been a corporate lawyer who defended railroads, and during the Civil War the Republican national government took advantage of the wartime absence of southern Democrats to push through a pro-business agenda. The Republican congress gave millions of acres and dollars to railroad companies. Republicans became the party of business, and they dominated American politics throughout the Gilded Age and the first several decades of the twentieth century. Of the sixteen presidential elections between the Civil War and the Great Depression, Republican candidates won all but four. Republicans controlled the Senate in twenty-seven out of thirty-two sessions in the same period. Republican dominance maintained a high protective tariff, an import tax designed to shield American businesses from foreign competition; southern planters had vehemently opposed this policy before the war but now could do nothing to prevent. It provided the protective foundation for a new American industrial order, while Spencer’s social Darwinism provided moral justification for national policies that minimized government interference in the economy for anything other than the protection and support of business.

IV. The Labor Movement

The ideas of social Darwinism attracted little support among the mass of American industrial laborers. American workers toiled in difficult jobs for long hours and little pay. Mechanization and mass production threw skilled laborers into unskilled positions. Industrial work ebbed and flowed with the economy. The typical industrial laborer could expect to be unemployed one month out of the year. They labored sixty hours a week and could still expect their annual income to fall below the poverty line. Among the working poor, wives and children were forced into the labor market to compensate. Crowded cities, meanwhile, failed to accommodate growing urban populations and skyrocketing rents trapped families in crowded slums.

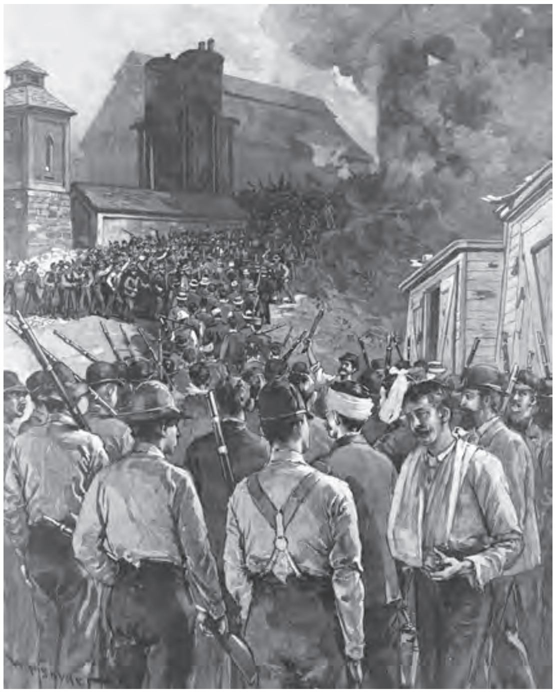
Strikes ruptured American industry throughout the late nineteenth and early twentieth centuries. Workers seeking higher wages, shorter hours, and safer working conditions had struck throughout the antebellum era,

The Lawrence textile strike, 1912. Library of Congress.

but organized unions were fleeting and transitory. The Civil War and Reconstruction seemed to briefly distract the nation from the plight of labor, but the end of the sectional crisis and the explosive growth of big business, unprecedented fortunes, and a vast industrial workforce in the last quarter of the nineteenth century sparked the rise of a vast American labor movement.

The failure of the Great Railroad Strike of 1877 convinced workers of the need to organize. Union memberships began to climb. The Knights of Labor enjoyed considerable success in the early 1880s, due in part to its efforts to unite skilled and unskilled workers. It welcomed all laborers, including women (the Knights only barred lawyers, bankers, and liquor dealers). By 1886, the Knights had over seven hundred thousand members. The Knights envisioned a cooperative producer-centered society that rewarded labor, not capital, but, despite their sweeping vision, the Knights focused on practical gains that could be won through the organization of workers into local unions.[13]

In Marshall, Texas, in the spring of 1886, one of Jay Gould's rail companies fired a Knights of Labor member for attending a union meeting. His local union walked off the job, and soon others joined. From Texas and Arkansas into Missouri, Kansas, and Illinois, nearly two hundred thousand workers struck against Gould's rail lines. Gould hired strikebreakers and the Pinkerton Detective Agency, a kind of private security contractor, to suppress the strikes and get the rails moving again. Political leaders



An 1892 cover of *Harper's Weekly* depicted Pinkerton detectives, who had surrendered to steel mill workers during the Homestead Strike, navigating a gauntlet of violent strikers. Library of Congress.

helped him, and state militias were called in support of Gould's companies. The Texas governor called out the Texas Rangers. Workers countered by destroying property, only winning them negative headlines and for many justifying the use of strikebreakers and militiamen. The strike broke, briefly undermining the Knights of Labor, but the organization regrouped and set its eyes on a national campaign for the eight-hour day.[14]

In the summer of 1886, the campaign for an eight-hour day, long a rallying cry that united American laborers, culminated in a national strike on May 1, 1886. Somewhere between three hundred thousand and five hundred thousand workers struck across the country.

In Chicago, police forces killed several workers while breaking up protesters at the McCormick reaper works. Labor leaders and radicals called for a protest at Haymarket Square the following day, which police also proceeded to break up. But as they did, a bomb exploded and killed seven policemen. Police fired into the crowd, killing four. The deaths of the Chicago policemen sparked outrage across the nation, and the sensationalization of the Haymarket Riot helped many Americans to associate unionism with radicalism. Eight Chicago anarchists were arrested and, despite no direct evidence implicating them in the bombing, were charged and found guilty of conspiracy. Four were hanged (and one committed suicide before he could be executed). Membership in the Knights had peaked earlier that year but fell rapidly after Haymarket; the group became associated with violence and radicalism. The national movement for an eight-hour day collapsed.[15]

The American Federation of Labor (AFL) emerged as a conservative alternative to the vision of the Knights of Labor. An alliance of craft unions (unions composed of skilled workers), the AFL rejected the Knights' expansive vision of a "producerist" economy and advocated "pure and simple trade unionism," a program that aimed for practical gains (higher wages, fewer hours, and safer conditions) through a conservative approach that tried to avoid strikes. But workers continued to strike.

In 1892, the Amalgamated Association of Iron and Steel Workers struck at one of Carnegie's steel mills in Homestead, Pennsylvania. After repeated wage cuts, workers shut the plant down and occupied the mill. The plant's operator, Henry Clay Frick, immediately called in hundreds of Pinkerton detectives, but the steel workers fought back. The Pinkertons tried to land by river and were besieged by the striking steel workers. After several hours of pitched battle, the Pinkertons surrendered, ran a bloody gauntlet of workers, and were kicked out of the mill grounds. But the Pennsylvania governor called the state militia, broke the strike, and reopened the mill. The union was essentially destroyed in the aftermath.[16]

Still, despite repeated failure, strikes continued to roll across the industrial landscape. In 1894, workers in George Pullman's Pullman car factories struck when he cut wages by a quarter but kept rents and utilities in his company town constant. The American Railway Union (ARU), led by Eugene Debs, launched a sympathy strike: the ARU would refuse to handle any Pullman cars on any rail line anywhere in the country. Thousands of workers struck and national railroad traffic ground to a halt. Unlike in nearly every other major strike, the governor of Illinois sympathized with workers and refused to dispatch the state militia. It didn't matter. In July, President Grover Cleveland dispatched thousands of American soldiers to break the strike, and a federal court issued a preemptive injunction against Debs and the union's leadership. The strike violated the injunction, and Debs was arrested and imprisoned. The strike evaporated without its leadership. Jail radicalized Debs, proving to him that political and judicial leaders were merely tools for capital in its struggle against labor.[17] But it wasn't just Debs. In 1905, the degrading conditions of industrial labor sparked strikes across the country. The