

Lecture 2.4: Gilded Age Industrialization

2nd Industrial Revolution, 1870-1914:

- Another wave of tech innovation, massive change in all kinds of things (goods are produced, way we live, way we work)
- Big picture shifts
 - Agriculture being predominant labor form/focus to INDUSTRY (manufacturing, production of resources and goods)
 - Shift from rural population centers to urban population centers → have to go to where jobs are, they are mainly in urban areas
 - No longer looking at things on local scale, shifting to national or international scale (economy and culture)
 - From individualized to standardized
 - As more of US is connected, there are nationalized systems and standards
 - Less isolated, more interconnected (Even local towns)

Railroads and Standardization:

- RRs play huge role in standardization
- Railroads get lots of land, but railroad is not actually that wide → what do you do with rest of land?
 - They sell it!
 - People buy that land for settlement
 - People start settling farther west because of the railroads
 - Settling out the interior technically
- 1882: RRs are reason we have time zones
 - Before this, it was all localized (different places think its different times in different places)
 - Catching RRs is so hard → time isn't consistent
 - All the big RRs get together and divide the US into 4 different time zones so that time is consistent
 - No requirement that you have to join this, but most people do because its easier for them
 - Federal gov doesn't set time zones until 1918
- 1886: standardized rail gauge:
 - Railroads get together and decide to use the same width of track
 - Transportation becomes more efficient because you can use same rail cars
- Now, if you can move goods faster, you can sell more, scale of industry grows a lot

Technological innovation:

- So many innovations
- As we connect the country more, there is more access to natural resources
 - Can do a lot to create new things or adapt to new purposes
- Communications
 - Telegraph, telephone, radio
- Manufacturing
 - Steel, petroleum lubrication

- Electricity
 - Becomes widespread
 - AC electrical current 1893
 - Electrification of US cities
 - Edison starts general electrical corp.
- Conveniences:
 - Refrigeration, ice machines, dishwasher
- Transportation
 - Ford makes automobiles easier to produce/manufacture, 1886
 - Airplane (wright brothers), 1903

Rise of corporations:

- Corps develop to make business more stable and easier to finance and invest in
- Looking for stability → no more panics and business failure
- Things that corps provide
 - Limited liability → only on the hook for what you put into the company (cant take your house) → more safety for investors
 - Perpetual life → company no longer tied to a single person → bezos can die
 - Safer to invest in, as the company will continue
- Business shifting to Economies of scale
 - If I can use the same equipment to make more goods faster + sell them at a lower cost, I can make more money
 - No longer producing just to feed/clothe people localized group
 - Cutting costs of labor and materials
 - Making more out of someone's labor because the money earned from what they produced is greater than their salary
- Ways that corps do this:
 - Vertical integration
 - Want to own all the pieces of my industry from top to bottom (raw materials to selling in a store)
 - Don't have to rely on somebody else and worry about markup/transportation costs to take my product from Chicago to NY if I own the transportation to get there
 - If I own all the pieces, I can keep my costs down
 - EX: owning the iron mine, limestone quarry, coal mine, shipping facilities, steel mill, integrated steel company
 - Horizontal integration
 - You own all the part of that type of business
 - Standard oil owns 90% of the oil in that time period (monopoly)
 - Investment bankers play a huge part in making this work
 - Corporations need money to buy looms for their factory
 - They go to bankers, who decide if it's a worthy investment
 - Bankers give a loan and helps them make money through interest
 - Yay business success, yay money for bankers

Industrialists: “Captains of Industry” or “Robber Barons?”

- People who are able to make the system work build up massive businesses and wealth
 - “captains of industry” or “robber barons” → some controversy already
- Andrew Carnegie (US steel), John D. Rockefeller (Standard oil), Cornelius Vanderbilt (RRs), JP Morgan (Chase Bank) → gaining so much wealth, power, and influence that they are more famous than gilded age presidents
 - Come to represent massive era of wealth inequality
 - By 1893, 10% of families control 70% of wealth in the country
 - >50% below poverty line

Monopolies, “combinations” and trusts:

- 3 synonyms that mean basically the same thing
- Some industrialists are able to amass massive amounts of money through monopolies
- Most of a corporation control most of the industry → Minimized competition
 - This means you can set prices and people are forced to pay you that price, or you can set the wages that you want, people left with no option, can even control the supply (can just not sell as much oil even if people need it)
 - Or else gl finding the other 10% of places
 - Higher costs, lower wages
- Boost from this: Santa Clara county vs. southern pacific RR company (1886):
 - Corps are considered people under the 14th amendment
 - Corps get same legal protections and rights as an individual person → which is still a thing today
 - You can’t tell somebody what to do or what prices to charge, so you can’t do it to corporations either
 - Right to property, right to set your own prices
- Monopolies controlled the government (elite people previously did hold this power, but the shift to the power of corporations made the scale much larger)

Laissez-faire economics/free enterprise:

- One of the main/foundational ideologies of the gilded age
- Idea that economy should not be regulated by anybody except for competition and supply and demand
- Ex competition should regulate price of oil
- What it SHOULD be
- BUT
 - Other part of this → gov’s job is to not interfere in competition and other things
 - They will sort it out
 - This means that the gov is doing almost nothing to regulate the monopolies or the economy at all
 - This is very bad for regular people, forced to pay those prices and take those wages
 - But if there is a shared idea that this is what it should be, what can you do
- Doesn’t account for things like human greed

Sherman anti-trust Act, 1890:

- In 1890 Fed gov passes this law
 - It outlaws monopolies that interfere with free competition in interstate commerce
 - What if prices differ in different states? Like different tax rates on oil
 - If its staying within the state, do what you want
 - But if it goes outside of the state, the fed gov has a say
 - Can regulate monopolies if it goes outside of the state
- There's no enforcement mechanism
 - Said you can't do it, but there's no way to punish you if you do
- This gets twisted to target unions
 - If you go on strike, you are interfering with interstate commerce
 - Gets used to jail people
- Goal here is to start regulating, but fails
- Gutted by another SC case: US vs. E.C. Knight Co. (1895):
 - E.C. knight is sugar company, owns 98% of sugar in the US
 - But, SC ruled that since its refineries were only in one state, it doesn't count as interstate commerce
 - Ruled 8-1, said they can't regulate because its not interstate
 - Even if you're selling it across state lines, its not interstate because the product comes from one state

Scientific Management and Conditions:

- Not just changing business organization, industrialism is changing the way work happens
- Because Industrialists adopt scientific management → goal is to reduce work to its simplest components so there is the least amount of independent thought from the worker
 - Goal is to optimize speed and efficiency by giving workers singular, very simple tasks
 - If you don't have to think, it is faster
 - Great for low wage, unskilled laborers
 - Helps justify lower wage
 - Treating workers like a machine → trying to optimize machine
- A single male head of a household can't earn enough money to support a family
- So, we wend up with a lot of women and children in labor as well (to pay for rent, food, etc)
- Women
 - End up in domestic labor, new office jobs, and manufacturing
 - Systematically paid less than men, even for being on the same assembly line
- Child labor also a part of this
 - In the 1910s, 10% of boys and 20% of girls aged 10-15 were working in the US
 - Boys were prioritized for going to school, which is why there were less of them
- Government is "hands-off" or laissez faire ideology meaning hazardous working conditions
 - Workers working 10-12+ hours a day, 6-7 days a week
 - Conditions are hazardous → breathing in cotton fibers, fumes, etc
 - Machines can be hazardous as well → people get their hair caught, people die
 - There are no safety regulations → the government isn't allowed to pass them
 - When people get injured/die, their families earn even less → hurts them

White-Collar jobs:

- Scientific management leads to white-collar (or middle class) jobs → need managers, need people to sell
- Factory floors need somebody to manage things → make sure things are staying on track and high efficiency
- They are in management roles → whole job is optimizing the factory and managing low-skilled laborers
 - Also got paid more
- Corps have to make money by selling product, so now there are new jobs in marketing/advertising
 - Another job is to get data and sell product
 - White collar, requires education and thinking
 - This is where we get things like department stores → selling a little bit of each brand (but very glamorized)
 - Shopping was much more exciting, window shopping, displays, etc
 - Mail-order catalogues as a form of advertisement → people have to put this together
 - We get more radio/billboards to advertise → want people to buy things
 - These jobs are specific to the middle class
- When strikes happen, people in management roles are likely to side with industrialists

Individualism and Social Darwinism:

- Two important, widespread ideologies → justification for wealth disparity from scientific whatever
- Individualism
 - Economic success is dependent on someone's merit, and anyone can succeed with hard work
 - "rags to riches" literature → how this ideology was spread
 - You have earned this, this is your own merit, you are deserving
 - Sense that increased wealth and economic success is a sign of God's approval
- Develops into social Darwinism:
 - Say that if you are successful, you have demonstrated moral and biological superiority
 - If you are failing, it is because you are somehow biologically and morally inferior
 - Survival of the fittest
 - So if you are working in an underpaid factory job, I don't have pity for you because you aren't trying hard enough and you are inferior
 - Some exceptions: Andrew Carnegie did actually have a rags to riches story → people say that if he can do it, you should be able to as well otherwise you are flawed
- I am middle class, I have God's approval, but if you're not, you're doing something wrong
- Despite this ideology, workers argue for solid pay

This is where we get Labor Unions:

- Goal of union is to bring a bunch of laborers together to fight for benefits
- Usually do things like collective bargaining and strikes
 - If one person demands a higher wage, nobody will give you a raise → but if everyone shows up and demands higher wage, industrialists have to pay attention to them

Most prominent union during the Gilded Age was Knights of Labor:

- Founded in 1869
- Focused on both skilled and unskilled labor
- They are actually inclusive of black workers (Even with segregation prevalent), inclusive of women, and (most) immigrant groups
 - Chinese are usually included, but CA is the one place where knights of labor excluded them
 - Not a blanket ban on Chinese immigrants
- Things that they advocated for:
 - An 8 hour workday
 - Ending child labor so they could get an education
 - Equal pay for men and women
 - Wanted workers to be able to own factories to have control over their labor → have more agency over working conditions, working hours, etc
- Also on a much broader scale than a union focused on one job/one type of work