Handout 2, Hist. 261, Prof. Mogren

Industrial America and Unions

Industrialism can be understood as the emergence of industrial systems that became linked closely together.

Several factors contributed to of America's industrial might:

I. Raw Materials

In the early 19th century, steel was expensive. In 1850 Bessemer discovered a way to convert iron into steel in large quantities. The Bessessmer process cut the cost of steel and steel became the building material of the age.

Industrial changes made once worthless natural products valuable. New distilling methods created new petroleum products. The internal combustion engine changed America.

II. Technological Innovation and the Science of Production

Inventiveness was an important component of industrialization.

The process of invention became systematized at "invention factories." Edison brought order to the invention process, and the research laboratory dominated product development.

"Scientific management," or "Taylorism," stressed that labor must be compatible with the demands of the machine age. The production process should be subdivided to reduce the need for skilled workers.

The moving assembly line introduced by Ford changed production and became the standard for other industries.

III. Transportation and Communication

The railroad fundamentally changed the way people and goods moved and became the primary mode of transportation for industrial America.

Railroads promoted economic development in by consuming industrial products. The often created the towns that they served.

Railroads became symbols of American energy and foresight.

One problem was the size of the country, but the railroad network expanded rapidly.

Railroads also had to organize to manage facilities and employees. Railroads rationalized the bureaucratic order.

One management innovation was the railroad trunk system. Each trunk serviced by smaller "feeder" lines. Trunk lines interconnected, necessitating standardization of the industry.

Railroad companies changed the way companies manage money and financial records.

Railroads spawned a new bureaucracy of business management executives. They were professional managers in charge of the daily operations, but subject to the final decisions of the directors.

The telegraph and telephones developed appeared. Telephones modernized offices and altered the nation socially.

IV. Corporations, Finance Capital, New Business Techniques

As industry grew, so did the need for investment capital. New industries required huge expenditures of money before they could begin to produce. Banks, investment houses, and insurance companies gave investors investment new opportunities.

Industrialists found that no single person or group of partners could finance industrial ventures.

Stock investment was appealing because it exposed buyers to "limited liability" and buyers were not responsible for corporate debts. Corporations have no definite lifespan, making the stocks attractive investments.

The wealthy came to believe that stock was a good investment.

Business also consolidated in order to create more competitive business organizations and end "cutthroat competition." Most businessmen claimed to believe in free enterprise and the competitive marketplace, but in fact they feared it. Businessmen consolidated in two basic ways: 1) "horizontal integration" -- the combining of a number of firms engaged in the same enterprise into a single corporation; and 2) "vertical integration" -- a corporation took over all the different businesses on which the company relied for its primary function.

V. Labor

Labor was necessary for industrialization. The U.S demand for labor was so great that the native-born could not fill it.

The new industrialists recruited European workers and a wave of immigrants arrived in America. Between 1870 and 1890, 8 million people arrived in the United States. Most immigrants were unskilled laborers.

Another source of industrial labor was provided by the migration of native-born rural Americans from the farms into the cities. Unlike other immigrants, they spoke English and sometimes got better jobs.

The new industrial systems demanded that people change their traditional work patterns. Machines became more important than workers.

Industrial work was dangerous. Most workers made measurable economic and social gains.

VI. Consumer Growth

In the early 18th century, few people had access to manufactured goods. The industrial revolution changed the contours of Americans' consumer habits. Factories poured out consumer goods, and prices for those goods fell. Workers received cash wages, enabling them to have flexible buying habits.

Producers developed advertising and marketing techniques to attract consumers. Many of today's well-known brands began in the last century.

VII. Costs of Industrialization

Industrialization subjected the economy to disruptions -- a chronic cycle of boom and bust. Managers cut costs by closing plants and dismissing workers.

Many American worried about the corporate and industrial giants that exploited workers, corrupted politics, concentrated power, and widened the gap between rich and poor. A new class of millionaires appeared, and the public hated them.

Public fear reflected concerns about monopoly -- monopoly signified extortion. In reality, some monopolists raised prices, but on the whole consumer prices fell.

Americans also feared that monopolies were destroying economic opportunity and undermining democracy.

Big business defended itself by applying Charles Darwin's biological theories of evolution to society. Herbert Spencer distorted Darwin's ideas, claiming that in society, as in biology, only the "fittest" survived -- how prosperously they survived reflected how fit they were. Others argued that economic competition was natural and had to proceed without any interference. Millionaires were simply the product of "natural selection." Businessmen celebrated their "survival" while at the same time they working to reduce the competition they exalted.

In 1879 Henry George published Progress and Poverty, a blistering attack on the unequal distribution of wealth in the U.S. He believed that labor was the only true source of wealth and proposed a popular simplified tax system to end monopoly.

Edward Bellamy, author of Looking Backward, was another popular social critic. Bellamy compared 19th century America to a stagecoach upon which the favored few road in comfort while the mass of society hauled them along life's route. Occasionally, one of the toilers managed to fight his way onto the coach; whenever someone fell off the coach, they had to join the others in dragging it along.

The trend toward monopoly worried many people, but these writers never questioned the underlying values of the middle-class majority in America. They insisted that reform could be accomplished without serious inconvenience to anybody or any class. \*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*

Unions

Many workers refused to allow themselves to become like the machines they operated. They struggled to maintain their human dignity. Workers regarded themselves as citizens of a democratic republic and feared becoming "wage slaves."

It was perhaps inevitable that workers turned to unions to protect themselves.

I. Unions

National Labor Union

The first significant labor union was the National Labor Union, founded just after the war. The NLU sought to tame the new industrial order, not destroy it. It looked backward to a simpler past, when people worked for themselves and enjoyed participation in the democratic process. The NLU called for temperance, women's rights, and the eight-hour workday. At its height it claimed about 500,000 members, but disappeared in 1873.

Noble and Holy Order of the Knights of Labor

The Noble and Holy Order of the Knights of Labor was founded as a fraternal club in 1869. In 1879 the Knights elected Terence Powderly as president. He opened the organization to workers of all religions, sexes, trades, and nationalities. The Knights viewed the workers as producers who had been deprived the wealth and called for a radical reordering of the economic system and a social plan guided by Christian moralism.

The Knights rejected violence as a means of attaining their goals, but many of its members were involved in violent labor disputes. The Knights became associated with unsuccessful strikes and violent extremists, and by 1890 the Knights were nearly extinct.

American Federation of Labor

The American Federation of Labor was founded in 1886 to organize craft workers, the workers with the most leverage in the industrial economy. Led by Samuel Gompers, the AFL rejected the radical vision of a cooperative commonwealth forwarded by the Knights. Gompers accepted capitalism and the wage system and wanted tangible results. The AFL resorted to strikes and boycotts to win concessions that could not be arrived at through negotiation. The AFL became the most powerful organization of trade unions in the nation.

II. Industrial Workers

Industrial workers did not organize. Unskilled workers were divided by language, national origins, sex, religion, and race. Native-born workers rejected unionism as contrary to American ideals of self-reliance.

The rejection of unionism, however, did not mean that workers were satisfied with their conditions. Mechanism led to structural and technological unemployment. Employers were often cruel and few would bargain collectively with unions -- to do so, they argued, would deprive workers of their freedom to contract for their own labor.

Industrialists were also alarmed by the rapid changes of the era. Most employers were confused. They considered workers who joined unions to be "disloyal," while at the same time viewing labor as a commodity to be bought and sold.

III. Strikes

Strikes served as an outlet for worker frustrations. Strikes happened in good and bad times, by both union and non-union workers.

In 1877, the Baltimore and Ohio Railroad cut wages by 20%, setting off one of the nation's first great strikes. When the owners tried to bring in replacement workers, strikers burned rail yards. The strike left 100 people dead and cost $10 million in railroad property.

In May 1886, workers at the McCormick Harvester factory were campaigning for an 8 hour day. 2 workers were killed. Labor leaders called a protest meeting for the next night, May 4, to be held at Haymarket Square. The meeting began peacefully, but a bomb exploded, killing 7 police officers. Police fired into the crowd, killing 4 protesters. Nobody knows who threw the bomb, but Americans demanded action against labor "radicalism." 8 anarchists were convicted of murder without any proof; 4 were hanged, 1 committed suicide, and 3 were pardoned. Haymarket Square linked organized labor with anarchism in the public mind and seriously damaged the national labor movement.

In 1892 striking silver miners in the Coeur d'Alene mining district in Idaho fought a guerrilla war with company guards and Federal troops.

Also in 1892, Carnegie and Frick lowered wages at the Homestead Steel plant in Pennsylvania. The workers struck, and Frick locked them out. When the workers then surrounded the plant, Frick hired a private army to drive the strikers off. The workers pinned them down with gunfire, forcing them to surrender. The state militia finally restored order. As with the Haymarket riot, radicals on the fringe of the dispute turned the public against the striking workers. In November the strikers finally gave up. It was a serious defeat for the steelworkers and a setback for labor nationwide.

Pullman had invented the railroad sleeping car and manufactured them near Chicago. During the 1880s, Pullman built a model town for his workers. During the Depression of 1893, Pullman cut wages but refused to lower rent in his community. Pullman workers struck and convinced the American Railway Union to boycott all trains with Pullman cars, stopping rail traffic nationwide. The railroad managers asked for and received an injunction (court order) ordering the strikers back to work. They refused, and President Grover Cleveland ordered federal authorities to quell the strike.

Business fought back. Conservatives charged that organized labor was behind the violence and anarchy. The federal and state governments sided with business against the stickers. Middle class citizens feared "radical" workers. The courts aided business in the fight against unions. In the end, the industrialists were victorious in their struggle with labor.