

## **Characteristics of a New Industrial, Urban, Immigrant America** **Economic Revolution during the Gilded Age**

### **Demographic Shifts**

- ✿ Involvement of an increasing proportion of the work force in manufacturing rather than agriculture;
- ✿ Introduction of new segments of the population in manufacturing, including women, children, immigrants & African Americans;
- ✿ Growth of size & centrality of cities as manufacturing & population centers
- ✿ Advent of 2nd Wave of Immigration-Eastern & Southern Europeans began to dominate.

### **Technological Shifts**

- ✿ Increased production by machine rather than by hand, especially assembly-line production;
- ✿ Accelerated technological innovation, new inventions & applied science;
- ✿ Increasing importance of iron, steel, electricity & oil to the production process

### **Market Shifts**

- ✿ Production organized in large, complex, interdependent factory systems;
- ✿ Growth of transportation networks, especially railroads but also the communication lines that followed them;
- ✿ Expanded markets beyond the local to national and even global networks.

### **Business Shifts**

- ✿ Growth of large enterprises & specialization in all forms of economic activity to take advantage of economies of scale;
- ✿ Increased capital expansion & accumulation facilitated by developments in banking & investment infrastructure;
- ✿ Growth of Corporations & other less legitimate business structures:
  - ✿ Pools, Trust, Monopolies.
  - ✿ Vertical & Horizontal Integration

### **Government Shifts**

- ✿ expansion Federal government increasingly subsidized economic, many arose during Civil War:

- ⊕ National Banking System; Homestead Act; Pacific Railroad Act;
- ⊕ Created economic infrastructure & transferred public lands to the private sector for the benefit of the public good.
- ⊗ Federal Government sought to regulate some of the most extreme abuses of the corporate system with mixed results.

### **The True Industrial Revolution in America**

- ⊗ Some historians argued for an Industrial Revolution during the Jacksonian Era
  - ⊕ Most now believe that the changes of the period did not amount to a true Industrial Revolution;
  - ⊕ More likely Economic Evolution or Market Revolution;
  - ⊕ Only drastic changes were experienced in transportation (Roads, Canals & Railroads) & marketing of goods.
- ⊗ Last half of the 19th Century saw a true Industrial Revolution that altered the fabric of America.

### **The Industrialists**

#### **•Captains of Industry or Robber Barons?**

### **The Big Four Industries**

- ⊗ Steel & Andrew Carnegie
  - ⊕ Use of Bessemer process, first large-scale industrial process for making steel.
- ⊗ Railroads & Cornelius Vanderbilt
  - ⊕ Use of heavier steel, standard gauge rails allowed for massive construction across nation.
- ⊗ Petroleum & John D. Rockefeller
  - ⊕ Production of fuel & lubricants that would be necessary for industrial production.
- ⊗ Finance & J.P. Morgan
  - ⊕ Provided financial capital for corporations, banks & insurance companies.
- ⊗ Interdependent Economic Evolution

### **New Forms of Economic Organization**

- ⊗ When do corporations become monopolies?
- ⊗ When does capitalist innovation become anti-capitalist?

### **New Means of Economic Organization**

- ⊗ Pools--Defensive alliances, competitors divided up the market & divide profits.
- ⊗ Horizontal Integration--Monopoly of competition at one level of the production process, e.g. Oil Industry

- ⊗ Vertical Integration--Monopoly of competition of the entire production process from resource to distribution, e.g. Steel & Railroads
- ⊗ Trusts, Interlocking Directorates & Holding Companies--Mechanisms for continuing monopolistic practices "in restraint of trade" through ownership of stock & control of corporate boards

## **Labor in Industrial American**

- Do workers have the right to organize?
- Are unions the worker's capitalist tool or are they inherently anti-capitalist?

## **Labor Issues of Gilded Age**

- ⊗ Mechanization & Automation changed labor force requirements:
  - ⊕ Led to temporary unemployment in the short-term;
  - ⊕ Declining prominence of skilled labor (shoe makers, carpenters, etc.);
  - ⊕ Rise in demands for unskilled labor (20% of manufacturing labor was female & 15% of children 10-15 years old were employed)
- ⊗ Dangerous working conditions:
  - ⊕ 76,000 railroad workers killed between 1900-1917; 25,000 killed & over 1 million injured in 1913 alone;
  - ⊕ Mine cave-ins, explosions & fires were commonplace;
  - ⊕ Historians refer to "Mechanized Violence"

## **The Role of Unions**

- ⊗ Right to Unionize established in *Commonwealth v. Hunt* (1842)
- ⊗ Tools of Labor:
  - ⊕ Collective Bargaining--Contract negotiated by the union served all members;
  - ⊕ Work Slow-down, Sit-Down Strike & Walkouts were the only effective tools of labor but no protections for the Right to Strike.
- ⊗ Bread & Butter Unionism dealt primarily with shop-floor issues:
  - ⊕ Some success securing safer working conditions, 8-hour workday & 40-hour workweek & higher wages;
  - ⊕ Little success securing Binding Arbitration, Minimum or Living Wage.

## **National Labor Union (NLU)**

- ⊗ Established in 1866 as first major union;
- ⊗ Brought together several craft unions, represented the interests of skilled labor;

- ✿ Sought a broad social agenda, including abolishment of the wage system;
- ✿ Saw some success in securing better working conditions, but no enforcement or arbitration;
- ✿ Did not survive depression of 1870s or the shifts in industry away from skilled labor.

### **Knights of Labor**

- ✿ Founded as a secret society in 1869, but expanded under the leadership of Terence Powderly;
- ✿ Based on the radical, utopian goal of creating a cooperative society that overturned industrial capitalism;
- ✿ "One Big Union" welcomed all workers--non-skilled workers, women, immigrants & African Americans;
- ✿ Fought for 8-hour workday, higher pay & equal pay for women;
- ✿ Advocated Producer Cooperatives to develop codes for safety & health as well as worker-owned & operated factories;
- ✿ Radical in goals, not actions--sought arbitration & rarely supported strikes.

### **American Federation of Labor**

- ✿ Emphasis on "Bread & Butter" issues (wages, hours & working conditions);
- ✿ Established in 1886 by Samuel Gompers;
- ✿ Accepted that two classes existed (Workers & Employers) & only sought "Fair Share" for labor;
- ✿ Association of self-governing national unions followed strategies developed by the AFL;
- ✿ Utilized walkouts & boycotts to establish Closed Shops;
- ✿ Most successful of major unions, only one to survive into the 20th century.

### **Radical Unions**

- ✿ Molly Maguires
  - ⊕ Viewed as martyrs to the cause of labor as well as bogeymen of industrial capitalism;
  - ⊕ Prominent for only a few years among Irish American coal miners in PA;
  - ⊕ Used intimidation, arson & violence to gain recognition of right to unionize.
- ✿ International Workers of the World (Wobblies)
  - ⊕ Most radical of the major unions, sought class conflict under banner of "An injury to one is an injury to all";
  - ⊕ Most powerful in the West under "Big Bill" Haywood but never grew beyond 150,000 members;
  - ⊕ Was a target of government action, the only union with connection to European anarchism & socialism.

## **Women's Unions**

- ✿ International Ladies Garment Workers Union
- ✿ Women's Trade Union League
- ✿ Filled void left by failures of unions in male-dominated industries
  - ⊕ Dominated by middle-class women, but became more radical when wage earners such as Agnes Nestor, Rose Schneiderman & Mary Anderson took over;
  - ⊕ Sought more opportunities for women in skilled labor;
  - ⊕ Connected up to & radicalized social movements such as fight for suffrage.

## **Major Turning Points for Labor**

- ✿ Great Railway Strike, 1877
  - ⊕ First nationwide strike paralyzed rail traffic throughout East & Midwest, as well as national economy;
  - ⊕ President Hayes sanctioned use of federal troops in a labor dispute for the first time.
- ✿ Homestead Strike, 1892
  - ⊕ Strike against Carnegie steel followed by lockout;
  - ⊕ Using Pinkerton guards as strikebreakers with support of state militia & courts, Carnegie broke strike & union.
- ✿ Pullman Strike, 1894
  - ⊕ Strike against Pullman factory expanded by Eugene Debs & Railway Union stopping all rail traffic;
  - ⊕ Citing US Mail, President Cleveland used federal court injunction & threats of military action to break strike.

## **Government & the Economy**

### **•From the Invisible to the Visible Hand**

#### **Gilded Age Economics**

- ✿ Economic Instability
  - ⊕ Major Depressions: 1873-1879, 1882-1885, 1883-1897
  - ⊕ Dramatic Economic Growth often due to economic speculation followed by necessary market contraction.
- ✿ Demands for Military Pensions
  - ⊕ Based on political power of Grand Army of the Republic, made up of over 400,000 Union veterans;
  - ⊕ Pension costs were three times what it had cost to fight the war itself (\$6 billion to \$2 billion), by 1900 40% of federal budget.
- ✿ Demands government address needs of common man

- ⊕ Greater access to paper currency, based on silver not gold;
- ⊕ Regulation of railroads & unchecked growth of upper class.

## Laissez-faire & the Invisible Hand

- ⊗ Based on Adam Smith's *Wealth of Nation* which emphasized that protecting **Natural Rights** is governments **economic** role:
  - ⊕ Market is a natural organism that must be allowed to evolve, therefore government should have a hands-off attitude in all economic matters
  - ⊕ Property rights, contracts & defense of trade routes were the legitimate role of government in the economy .
- ⊗ Historian Alfred Chandler argued that government was the Visible Hand when it came to assisting business:
  - ⊕ Internal improvements, especially railroads & development of West;
  - ⊕ Government created the legal structure of the Corporation that made massive increases in production possible
  - ⊕ The Invisible Hand only applied to regulating & restricting commerce.

## Legal Basis for Intervention

- ⊗ Invoked the Commerce Clause of Constitution
- ⊗ Congress has the power "To regulate commerce with foreign nations, **among the several states**, & with the Indian Tribes."
  - ⊕ Does "among" mean **within** or **between** the states?
  - ⊕ Does commerce mean anything **other** than trade?
  - ⊕ Marshall court in *Gibbons v. Ogden* (1824), the steamboat case, answered both in the affirmative, but
  - ⊕ Would it & should it still apply in the quickly evolving American economy?

## Major Supreme Court Cases

### •Judicial Review & Government's Role in the Economy

## Limiting Government Intervention

- ⊗ **Slaughterhouse Cases (1873)**
  - ⊕ Louisiana case concerning granting of monopoly in the slaughtering of animals in New Orleans;

- ⊕ Petitioners argued such a grant treated certain citizens differently, deriving them of **Property Rights** without **Due Process**;
- ⊕ Case decided based on **14<sup>th</sup> Amendment** & definition of corporations as **Citizens**.
- ⊗ **US v. E.C. Knight Co. (1895)**
  - ⊕ E.C. Knight controlled production of nearly all sugar in US
  - ⊕ Challenged under Sherman Antitrust Act--**in restraint of trade**
  - ⊕ Question of whether control of **Manufacturing** represented a restraint on interstate trade narrowing interpretation of Commerce Clause to **Trade only**
- ⊗ **Maximum Freight Rate Case & Alabama Midlands Case (1897)**
  - ⊕ Gutted the power of the ICC to set rates & regulate discrimination between Long Haul & Short Haul contracts

## Establishing Government Intervention

- ⊗ **Munn v. Illinois (1877)**
  - ⊕ Illinois law regulated the rates grain elevator operators--primarily Chicago businesses owned by the railroads--could charge;
  - ⊕ Using the 14<sup>th</sup> Amendment, Railroads unsuccessfully argued discrimination;
  - ⊕ Court found that grain elevators were operated for the **Public** Interest therefore must submit to regulation for the "**Common Good.**"
- ⊗ **Wabash Case (1886)**
  - ⊕ Regulation of railroads had been left to states who were becoming more activist, while federal government was perceived as being laissez-faire;
  - ⊕ Wabash, St. Louis & Pacific Railway Co. argued that it participated in **Interstate Commerce**, outside control of states;
  - ⊕ The railroad victory ironically led to passage of Interstate Commerce Act.

## Regulating Working Conditions

- ⊗ **Holden v. Hardy (1896)**
  - ⊕ At issue was states right to limit working hours or otherwise regulate working conditions over & above the contracts between employers & employees;
  - ⊕ Found that mining was a particularly harsh working environment;
  - ⊕ And, therefore, state intervention was justified.
- ⊗ **Lochner v. New York (1905)**
  - ⊕ Revisited the question of working conditions;

- ⊕ Found that Bakery work did not constitute harsh working conditions, therefore intervention by the state was not warranted.
- ⊗ **Muller v. Oregon (1908)**
  - ⊕ Returned to working conditions, this time for women & the Oregon 10-hour workday;
  - ⊕ Court found that women constituted a special case & were in need of protection.

## Legislating Government Intervention

- ⊗ **Interstate Commerce Act (1887)**
  - ⊕ Restricted pools, rebates, & long haul/short haul rate discrimination;
  - ⊕ Created the ICC to investigate, intervene & seek court remedy;
  - ⊕ Little or no enforcement authority and Courts eroded power;
  - ⊕ Set important precedent of government intervention.
- ⊗ **Sherman Antitrust Act (1890)**
  - ⊕ Made illegal any contract, trust or combination “**in restraint of trade**”;
  - ⊕ Intentionally vague, rarely used—Only 18 prosecutions between 1890 –1900;
  - ⊕ Most successful against Railroads, but also used against unions.
- ⊗ **Clayton Antitrust Act (1913)**
  - ⊕ Outlawed specific business practices such as price discrimination & interlocking directorates;
  - ⊕ Paired with Federal Trade Commission as an investigative arm.