

Gilded Age: Northern Society 1877-1900

Three Themes:

- 1) Industrialization and Big Business
 - a. Pre Civil War Developments: Transportation, Communications, and Market Revolutions
 - b. Corporations; 14th Amendment due process rights; substantive due process
 - c. Railroads – specifically transcontinental rails
 - d. Steel and Andrew Carnegie
 - e. Oil and John D. Rockefeller
 - f. Finance and JP Morgan
 - 2) Workers' Response to Industrialization
 - a. Knights of Labor (1869-1886) – Haymarket Square Incident, 1886
 - b. American Federation of Labor (1886 -) – Homestead Strike
 - c. Industrial Unionism: American Railway Union (1893 -)
 - 3) Governments' Role in Industrialization
 - a. Interstate Commerce Commission (1886)
 - b. Sherman Anti-Trust Act (1890)
-
-

I. Theme One: Industrialization and Big Business

A. Pre Civil War Developments: Transportation, Communications, and Market Revolutions

1. Transportation Revolution (pre Civil War)
 - a. roads
 - b. canals
 - c. steamboats
 - d. railroads
2. Communications Revolution begins with the telegraph
3. Market Revolution (1815-1846)
 - a. Old Society
 1. rural
 2. agricultural
 3. isolated societies
 4. self-sufficient
 5. local markets
 - b. New Developing Society
 1. rural--urban
 2. agricultural--industrial--investment
 3. merging societies
 4. interdependence
 5. national--international markets

B. Change in Economic Organization: Corporations

1. English common law
Corporation- "mercantile monopoly" the British crown had given royal charters, like the one given to the East India Company, and this was very unpopular. Corporations did not give people a chance to sell the fruits of their own labor.

2. No mention of corporations in the Constitution

Some of the delegates at the Constitutional Convention wanted to grant corporate charters. They decided in committee not to include this in the Constitution because:

- a. a corporate creating power is not necessary for the government.
- b. any reference to corporations in the Constitution may make it unpopular.

3. State Constitutions and corporations (before 1840s)

a. To start a corporation on the state level, one would need to petition the state legislature, and convince them:

1. a corporation is needed in a certain field
2. those who want to start it are in good public standing
3. that a corporation was in the public interest

b. These corporations were:

1. town governments
2. colleges
3. non-profit groups
4. manufacturing corporate charters were rare

- a. time limits were put on private business to bring the services they provided back to the public.
- b. profit restrictions

4. General Incorporation Laws (state level, begins around 1840s)

- a. swept away previous difficulties
- b. people agreed too difficult to start one
- c. Investors get benefits
 1. limited liability
 2. perpetuity

5. Small farmers feel threatened as state regulations are loosened

- a. Small farmers get states to pass some restrictive measures on corporations
- b. Regulate: rates charged, wages paid, working hours, children working, working conditions, working in mines

6. Corporate lawyers want to end all state regulation of their industries

7. The Fourteenth Amendment and Corporations

- a. Farmers and others felt threatened by corporations, and they wanted regulatory laws that would limit corporations profit and abilities.

b. However, in *Fletcher v. Peck* (1810) and *Dartmouth College Case* (1819), John Marshall called corporations persons.

c. Corporations said that farmers were violating their due process rights. For a while the court said no, corporations don't have due process rights, but then. . .

d. In *Santa Clara County v. Southern Pacific Railroad* (1886) corporations given 14th Amendment due process rights

8. Court and due process

a. Substantive due process (this series of decisions, the Supreme Court defines due process in a special way--these things will change)

b. New interpretation of due process replaces and is not procedural due process

c. Procedural due process covers procedural matters. The government must go through a process that is defined and written down in law, and if they fail to go through this process exactly, then the court will intervene.

d. Substantive due process: Substantive Due Process holds that the Due Process Clause not only requires "due process," that is, basic *procedural* rights, but that it also protects basic *substantive* rights.

1. "Substantive" rights are those general rights that reserve to the individual the power to possess or to do certain things, despite the government's desire to the contrary.

2. The freedoms of speech, press, and religion are examples of substantive rights. Even though the government might find a way to establish a process to take these away, it is unconstitutional to do so. The substance of these rights is guaranteed.

9. The Court, using substantive due process, said that states could not violate the due process rights of corporations to their property (money and contract rights).

10. Therefore, after 1886, state regulation of industry ceased – state laws attempting to regulate corporations were repeatedly struck down by the court.

a. In 1886 alone, the Supreme Court did away with 230 state laws that had been passed to regulate corporations.

b. Though the 14th Amendment had been created to protect the rights of black citizens, it was used between 1890 and 1910 only 19 times to protect their rights. It was used 288 times to protect corporations.

11. The end of state regulation left a gap for federal government to fill

C. Railroads: The Symbol of the Gilded Age

1. Largest and probably the most important industry of its time

2. Growth (miles of track)

a. 1860 30,600

- b. 1870 52,900
- c. 1880 93,300
- d. 1890 193,000 (40% of world's railroad mileage, more than all of Europe)
- e. 1900 250,000
- f. 1910 351,000 (204,000 of surfaced roads)
- g. 1929 430,000 (17 times the earth's circumference)

3. Development

a. Assisted by land grants:

- 1. Federal government: 131 million acres
- 2. State government: 49 million acres
- 3. Amounted to "Welfare for railroads"

b. Large railroads were created by the consolidation of short lines

c. Most notable was the Transcontinental Railroad (1869)

- 1. Union Pacific and Central Pacific met in Promontory Point, Utah
- 2. Connected the East to the West
- 3. Work crews: ex-soldiers, Irish immigrants, Chinese
- 4. Traveling encampments (peddlers, gamblers, prostitutes) "Hell on Wheels"

4. Consequences

- a. Created a national transportation system
- b. Possible to ship goods across continent without unloading and reloading
- c. Cities and towns no longer "island communities" -- now all connected
- d. Gave people more of a sense of belonging to an entire nation
- e. Cities and towns no longer self-sustaining, but could be supplied by rail
- f. Catalyst for the growth of large businesses
- g. Created class of **Robber Barons** -- super wealthy

D. Andrew Carnegie and Steel

1. Sparked by railroads

2. Because of steel's flexibility and durability it was deemed better for tracks than iron

3. Throughout Gilded Age, the railroads provided an almost insatiable market for steel

4. Production:

- a. 1865: 3,000 tons
- b. 1875: 375,000
- c. 1879: 929,000

5. Price drops over time

6. Andrew Carnegie

- a. Scottish Immigrant
- b. Created one of the largest steel company in the United States (Carnegie Steel)
- c. Poor family which had moved to America from Scotland when he was a young boy

- d. Worked his way up in business
- e. Business boomed when the demand for steel increased
- f. Sold his business to US Steel (J.P. Morgan) \$250 million (1901)

7. Carnegie Philanthropy: Wrote The Gospel of Wealth (1899)

- a. name he gave his moral program
- b. he did not just give money back to the society, but Carnegie got involved
- c. built universities, concert halls, libraries, and other organizations.
- d. Success was possible if one was determined and worked hard.
- e. He embodied the liberal spirit--human progress--things will get better, came largely as a result of the competitive struggle, which Carnegie praised as a character building battle.
- f. By his death (1919) he had given away over \$350 million to charities building of libraries, Carnegie-Mellon University, Carnegie Hall...

E. John Rockefeller--organizational innovator in oil industry

1. oil rush: Benjamin Sillamen, Yale, Petroleum on pond scum, dig into ground oil comes up.

2. Rockefeller capitalizes on oil

a. widened bottlenecks:

the process to get oil from crude to market was tough. Rockefeller bought all the steps to the process, either existing or brought them about, and controlled the process of production at every stage thus stopping the problem of flow from one stage to the next in production.

b. vertical integration:

he owns all the steps from crude to market

c. horizontal combination:

buying other business doing what he is doing

3. 1870 Standard Oil of Ohio incorporated

a. Rockefeller would drive out small local competitors by underselling them and compensating by selling high where he was the only producer.

b. Ohio law: no corporation of Ohio can own stock in another corporation out of state.

c. Rockefeller came up with the idea of a "Trust." He wanted stock in an out of state company.

d. Instead of giving money for the stock, he would give a trust certificate, which was worth money,

e. The individual who gave stock still technically owned it, but not really.

f. New big organization known as a TRUST:

1. The trust was the brainchild of Samuel C. T. Dodd, who worked for Standard Oil's legal staff. He said that since state laws prohibited outright

ownership of one company of the stock of another, there was no foolproof way of consolidating, holding, and managing a string of separate companies.

2. But you could have a common name, a common office, and a common management by means of a common executive committee. . . . If the Directors of one of the companies and their successors shall be made Trustees of all such stock, you thus procure a practical unification of all the companies.

3. The idea worked:

a. In 1882, forty-one stockholders in the Standard Oil Company of Ohio signed an agreement creating a board of nine trustees to whom they transferred all the properties and assets of their own companies in exchange for trust certificates.

b. The trust agreement declared that "it shall be the duty of said Trustees to exercise general supervision over the affairs of said Standard Oil Companies, and as far as practicable over the other Companies or Partnerships, any portion of whose stock is held in said trust." The visible signs of this financial feat were 700,000 hundred-dollar certificates, the price of consolidated control over the oil industry. (All this on Trust from *The Great Republic*, 838).

g. Interlocking Directorate

1. Rockefeller, just before the Sherman Anti-Trust Act was passed in Congress in 1890, decided to get out of the Trust Business.

2. He organized a new system of corporate control called the Interlocking Directorate.

3. Rockefeller arranged to have people on his Board of Directors on other corporations Board of Directors so that he always knew what was going on and could exercise his influence over the corporation.

h. Holding Company

1. The Interlocking Directorate was not enough for Rockefeller. He then turned to the Holding Company.

2. This was a totally new company that Rockefeller started for the sole purpose of buying stocks in other corporations.

3. He wanted to have the majority or controlling interest. New Jersey had made the holding company a legal institution so that the state could grow rich off the corporations chartered there.

4. The holding company was seen as an on the edge act of Trust building, kind of questionable.

i. People began using the word Trust to refer to a literal trust, or an interlocking directorate, or a holding company.

j. The Sherman Anti-Trust Act would come in response to the negative view of Trust.

k. Supreme Court ordered breakup of Standard Oil (1911)

l. Rockefeller was concerned with his image as he was growing rich. People, for the most part, don't like Trust. So, he with his vast fortune began giving back to the society that had made him so rich. He started the University of Chicago, and other schools, along with hospitals and the Rockefeller Corporation

m. When Rockefeller retired in 1897, he had over \$500 million. Spent rest of life (till 1937) giving money away (\$530 million). \$80 million to University of Chicago. Established Rockefeller Institute, Rockefeller Foundation...

F. J.P. Morgan and Finance

1. Banks had existed since Independence

2. Growth of banking accompanied industrial development

3. Capital necessary for growth of business

4. J. P. Morgan

a. Opened banking firm in 1862

b. Focused on financing Railroads

c. Acquired father's business in London

d. Formed one of the most powerful banking houses in the world

e. 1901: bought out steel companies (including Carnegie Steel for \$250 million)

f. Formed US Steel -- world's largest corporation (\$1.4 billion)

g. Held important positions in 47 major corporations:

1. International Harvester

2. General Electric

3. American Telephone and Telegraph

h. He had so much money that he: bailed out the US treasury during a financial crisis (1895), and averted another financial crisis (1907)

i. Led people to believe that government was controlled by industrialists

j. Will lead to "trust busting" and progressives' attack on industrialists

G. CONSEQUENCES OF THE INDUSTRIAL REVOLUTION

1. Transformation in ideas of space

2. Transformation in ideas of time

3. Makes you want things you didn't know you wanted

4. Propelled America (world into 20th century)

5. Brought issues of labor, immigration, urbanization to the forefront

6. Furthered American expansion

a. Foreign -- in search of raw materials and markets

b. Domestic -- westward movement continued

II. Theme Two: Opposition to Big Business, American Labor

A. Two historiographical views of the Labor movements in the United States

1. Optimistic-Progress

- a. Unions won higher wages
- b. Unions won shorter hours
- c. Unions won better working conditions.
- d. The simple fact that Unions were allowed to be created was an advance.
- e. The Unions have grown progressively more effective.

2. Pessimistic-Defeat: Unions were defeated by their enemies.

- a. There was a general rise in wages, but this may be part of the problem.
- b. The early strikes were concerned with worker control.
- c. Companies, strikers thought, ought to be under the control of those who produce.
- d. People are now paid by the clock not by their production.
- e. There are more restrictions of personal freedom on the job.
- f. In light of the worker control loss, wages went up for a short time to compensate for the loss and then they went down again in the 1890s.

B. Role of the Government--sometimes the federal or state governments becomes involved, keep an eye on what they do.

C. Immigrants in the work force

1. About 70% of immigrants were male during the late 1800s and early 1900s.
2. Before World War I, about 60% of the industrial force was foreign born.
3. Until 1890 factory owners saw immigration as beneficial to business.
 - a. More workers meant lower wages.
 - b. Easier to deal with any labor problems that might arise
4. Sometimes more people leaving the United States for home, than there were coming in.
5. Big Business Owners changed their opinion of immigration in 1890s
 - a. With Panic of 1893, there were many unemployed workers so wages stayed low
 - b. A shift to nativism
 - c. Businessmen believe that radical ideas and forces came with immigrants.
6. 1890 Chinese exclusion Act kept Chinese out of America

D. Labor Struggles of the Gilded Age

1. Knights of Labor

a. Growth of the Organization

1. First major effort in the US to organize workers on the national level
2. Uriah Stephens, 1869, began the organization.
3. Things take off in 1879 under Terrence Powderly, the dynamic leader who headed the group at its strongest time.
4. Although he did not like them, Powderly went into successful strikes.
5. He advocated the use of boycotts.

6. In 1886, membership peaked at 3 quarters of a million, with a substantial number of black members (they had separate meetings).

7. Knights and immigrants

- a. Did not allow Chinese membership, which affected the Western scene in railroading and development.
- b. The Knights stressed that immigrants were coming from non-democratic governments and were not artisans.
- c. They believed immigrants were peasants who were not independent.
- d. Thus immigrants could not aid in the fight against the usurpation of workers rights.
- e. The Knights recognized that the majority of people who came here from abroad did not intend to stay, but wanted to grow wealthy and return to their native land.

b. The Programs and Beliefs of the Knights

1. Knights were opposed to idleness of any kind.
2. They supported the cooperative commonwealth, where everyone was equal and everyone worked.
3. The Knights used the phrase "wage slavery" to define what they opposed
4. To oppose "wage slavery" they led a campaign for dignity.
 - a. Focus on education.
 1. They built libraries and sent speakers throughout the nation.
 2. Speakers highlighted the "Romantic laborer," who got his dignity through his literacy and knowledge.
 - b. Focus on self discipline and self improvement
 1. Members urged not to drink for moral and political reasons.
 2. Workers could not support idle saloon keepers, and they could not improve themselves if they drank all the time.
5. To be free workers must have control over the means of production.
 - a. The Knights of Labor envisioned a union of workers for all people who worked--no distinction for race, sex, or religion.
 - b. The Knights of Labor were also a political organization that got support and helped candidates get elected.
 - c. The Knights believed all workers should be in one union
6. Producerist: those who produce are in control

c. The Death of the Organization: Haymarket Square Incident (Chicago)

1. Workers around the nation had been demanding an 8 hour day.

2. In 1884, union organizers set May 1, 1886 as the deadline for the institution of the 8 hour day in all trades.
3. Chicago became the center of the protest on May 3rd when the work day had still not been changed.
4. Some of the Knights organizations participated.
5. On the 3rd, the International Harvester plant became the sight of a clash between strikers and policemen, in which one striker was killed.
6. Leaders of a small anarchist movement in Chicago scheduled an open meeting for the following night at Haymarket Square to protest the killing.
 - a. When the meeting was coming to a close, the police showed up and ordered the participants to disband.
 - b. At that point someone threw a bomb at the police, killing one and wounding others.
 - c. The police retaliated by firing into the crowd.
 - d. In a trial ordered by hysteria and prejudice, seven anarchist leaders were sentenced to death despite the lack of evidence linking them to the bomb-thrower.
 - e. Of these men, two were reprieved and some years later pardoned, one committed suicide in prison, and four were hanged.
 - f. One was a Knight.
 - g. There was a fear of Communism from the Paris Commune, 1871.
7. Powderly could not disassociate the Knights from the anarchist.
8. He clung to leadership until 1893, but after that the union evaporated.
9. By the turn of the century it was a memory.

2. American Federation of Labor

a. Growth of the Organization

1. This organization was founded in 1886
2. Grew up to replace the Knights of Labor.
3. Samuel Gompers, who had been head of the cigar union, was the head of the organization, and he wanted to compete with the failing Knights.
4. Gompers met with 20 organizations, which were all craft unions—small unions organized by craft with individual histories and customs, these organizations are made up of skilled laborers.
5. They issued a request to the Knights, do not organize Knight unions where local craft unions exist.
6. Knights refused, so the 20 craft unions met again and started the American Federation of Labor.
7. Federation--organization looser than other unions, central leadership is available, but the individual cells retain power.

b. The Programs and Beliefs of the AF of L

1. The American Federation of Labor fought for Plain and Simple Unionism, Gompers said. Bread and butter issues

- a. shorter hours
- b. better pay
- c. better conditions

2. The AF of L accepted the wage system.

3. They could have independence and respect in other ways.

4. They all had skills.

5. Federation rejected political involvement. Fight battles on factory floor, not in Congress.

c. The Fledgling AF of L loses many key early battles

1. Most important 1892, Homestead Strike

2. The Powerful Amalgamated Association of Iron and Steel Workers vs. Andrew Carnegie

- a. Union begun 1876
- b. by 1891 had 24,000 members
- c. probably the largest craft union at the time

3. Workers had fought for and gotten a relatively good 3 year contract, 1889.

4. Carnegie was furious and determined to cripple the union.

5. Carnegie left the country and asked his plant manager Henry Clay Frick to deal with the union when the its union contracts came up for renewal

6. Frick began a cost-cutting reduction in the number of workers through the use of labor saving devices

7. As the union's contract came up for renewal a struggle began in early 1892

- a. negotiations dragged on between the union and Frick, the company announced that it would deal with workers as individuals unless an agreement was reached by 29 June 1892
- b. A lockout of unionist began on that day.

8. That, however, did not stop the workers.

9. They formed an advisory committee and took control of the company town at Homestead, Pennsylvania.

10. Frick responded by sending in 300 Pinkerton detectives to break union.

- a. They came in by barges armed.

- b. They were met by 5,000 strikers also armed.
- c. After an all day battle, 6 July 1892, the Pickerton detectives gave up and had to run through the town.
- d. All in all 20 were killed.
- e. Frick could not get local law enforcement to help him.

11. The governor in Pennsylvania sent in the militia to escort new workers in, and the company got going again.

12. Frick's abrasiveness helped to get public support for the strikers.

13. However, 23 July 1892, Alexander Berkman, anarchist tried to kill Frick.

- a. This hurt workers, looked like they were trying to foment revolution.
- b. The company had many hundreds of the strikers arrested, the union tried to fight but ran out of money.

14. 20 November 1892, the strikers were defeated; many went back to work where they were forced to accept lower wages and longer hours.

3. Industrial Unionism: American Railway Union

A. Movement led by a new leader, Eugene Debs

- 1. Early on he was against Knights and for craft unionism.
- 2. Eventually, however, he began to feel that craft unions divided workers and made it easy for bosses to break them up.

B. First organization, 1893 American Railway Union

- 1. this was an industrial union aimed to bring in everyone in the *business-skilled and unskilled*

C. Pullman strike 1894

- 1. Perhaps the most notable strike in American history
- 2. 27 states and territories paralyzed
- 3. Grew out of model town of Pullman, Illinois
 - a. workers housed in neat homes, grassy lots, idealic streets
 - b. deceptive because
 - 1. workers must live there
 - 2. pay rents and utility costs higher than in nearby towns
 - 3. must buy goods from company stores
- 4. In 1893, with onset of depression,
 - a. Pullman laid off 3,000 of 5,800 workers
 - b. cut wages 25-40%
 - c. but Pullman did not cut rents and other charges

5. When Pullman fired three members of a grievance committee sent to discuss these issues, a strike began on May 11, 1894
6. Union workers in stopped handling Pullman cars, which caused problems throughout the midwest
7. Pullman brought in strikebreakers from Canada and instructed them to tie Pullman cars to mail cars
 - a. interference with a Pullman car then meant interference with federal mail
 - b. interference with federal mail is a federal crime.
8. Pullman called on President Cleveland, who sided with Pullman because the mail must be sent.
9. As strikers fought troops and burned cars
 - a. Pullman went to federal court and got an injunction to get Debs and others to stop the strike.
 - b. injunction forbids, "any interference with the mails or any combination to restrain interstate commerce."
10. 13 July 1894 strike ends
11. Same day the district court cited Debs for violating the injunction and sentenced him to six months in jail
12. In re Debs, a Supreme court appeal, the Court used the Sherman Anti-Trust Act to show that the Union was a combination in restraint of trade

4. Conclusion

- A. After serving six months in jail, Debs came out to form a workers political party.
- B. Socialist labor party set up a rival to the American Federation of Labor.
- C. He thought this was not working well enough, and in 1901 started the Socialist Party of the United States.
- D. Debs hoped to get cooperation from the AF of L, but this did not happen.
- E. Gompers had socialist beliefs, but didn't think worker organizations were political.
- F. Gompers continued going in the other way. Resisted industrial unionism and political organization.
- G. Although the organizations went in different ways, labor issues had been exposed and would be a continuing issue