

Causes of Rapid Industrialization


1. Steam Revolution of the 1830s-1850s.
2. The Railroad fueled the growing US economy:
 - * First big business in the US.
 - * A magnet for financial investment.
 - * The key to opening the West.
 - * Aided the development of other industries.

Causes of Rapid Industrialization

3. Technological innovations.
 - * Bessemer and open hearth process
 - * Refrigerated cars
 - * Edison --> "Wizard of Menlo Park"
 - > light bulb, phonograph, motion pictures.

Causes of Rapid Industrialization


4. Unskilled & semi-skilled labor in abundance.
5. Abundant capital.
6. New, talented group of businessmen [entrepreneurs] and advisors.
7. Market growing as US population increased.
8. Government willing to help at all levels to stimulate economic growth.
9. Abundant natural resources.



New Business Culture

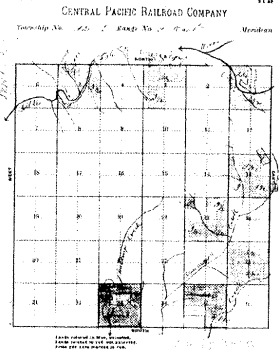
- Laissez Faire --> the ideology of the Industrial Age.
 - * Individual as a moral and economic ideal.
 - * Individuals should compete freely in the marketplace.
 - * The market was not man-made or invented.
 - * No room for government in the market!
- But of course when BUSINESS wanted government help, the rules changed

- RAILROADS
 - Exponential growth
 - 1865 = 35,000 miles 1900 = 195,000 miles
 - 1869 1st continental RR joined @ Promontory Utah
 - 1883 4 continental RR's w/ 10,000s of miles of connecting track.



- Union Pacific (Miss. R) VS the Central Pacific (Ca.)

- Did not have to pay interest on gov't loans
- Alternating 640 acre plots of free land for every mile laid. >200,000,000 acres (larger than Texas)



- Used this land for collateral for more loans at \$3.00 per acre
- Took bribes from towns and cities
- RR tycoons
 - “Commodore” Cornelius Vanderbilt & his son William. He standardized the gauge so all tracks were the same.
 - **Erie Gang:** Drew, Fisk, & Gould. Bought a rundown track Vanderbilt needed and watered the stock from \$20,000 to \$2,000,000. Gave excess stock to N.J. judges. Vanderbilt finally paid them their inflated asking price. They kept all the profits.
 - James Hill: built the Northern Pacific—only major RR NOT to go bankrupt in the crash.

- **DOWNSTREAM PRODUCTION:** just think, 1 mile of track needed 3,000 RR ties, 10,000 lbs of gravel, 400 steel rails, 12,000 iron spikes, and 5,000 men. And that's on FLAT ground. It also needed telegraph poles, engines, RR cars, coal, water, passengers and freight.
 - Steel = **Carnegie's VERTICAL MONOPOLY** using the British **Bessemer** steel process
 - Oil = **Rockefeller's Standard Oil** refineries & his **TRUSTS** and his **HORIZONTAL MONOPOLY**
 - Banking = **J.P. Morgan** and his **INTERLOCKING DIRECTORATES.**

- COAL = J. Frick. Sells out to Carnegie.
- Mining = wildcat business slowly controlled by bankers
- Textiles = Lowells and Cabots
- Appliances (air brakes at first) = Westinghouse
- RR cars = Pullmen
- Meatpacking = Armour & Swift

- **ROBBER BARONS???????????**
- “Stock watering” at the consumer's expense
 - “Pooling”
 - “Kickbacks”
 - “Loss Leader” to destroy competition
 - Illegal bribes and payments to politicians and judges
 - Lower Prices

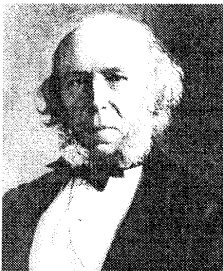
- PANIC OF '73' & GOV'T INVOLVEMENT:
- Slow attempt at intervention because of belief in Free Enterprise capitalism
 - The Grange (Patrons of Husbandry) elected state legislators to fight the big RR's. Started as mere social organizations.
 - Munn VS Illinois: States can regulate rates INSIDE their own borders. (1877).

- Wabash VS Illinois: Supreme Court overturns the earlier Courts version in Munn (1887)
 - Santa Clara VS S. Pacific RR: S.C. uses the 14th amendment to rule that states can NOT “discriminate” against the RR's that pass through their borders. THIS MAKES CORPORATIONS INTO PEOPLE—with the same rights and duties thereof.
- Interstate commerce Act is passed in response to the S.C. rulings.
- RR's must publish all rates.
- Can't charge less for long hauls
- No pooling
 - Created the Interstate Commerce Commission to oversee the RR's BUT then staffed it entirely with Railroad executives. A “toothless law”

- Sherman anti-trust Act—says there is no difference b/w "good trusts" and "bad trusts". Bigger = Bad
- The real fix for the problems: by 1900 ALL major RR lines are controlled by two banks. The House of Morgan then brings order to the chaos—because that is GOOD for business.

- Justification
 - Social Gospel: Washington Gladden, Rauschenbusch. Christian Socialists. Apply "Sermon of the Mount" to Society
 - Gospel of Wealth (success gospel) Horatio Alger, Carnegie – Ok to be wealthy, but had to prove themselves morally responsible
 - Reverend Russell Conwell's "Acres of Diamonds"
 - Social Darwinism (Herbert Spencer)
 - Extreme Social Darwinism (William Graham Sumner)
 - 14th Amendment (Corporations are people)
 - American ideal of "rugged Individual"

Social Darwinism



- British economist.
- Advocate of TRUE *laissez-faire*.
- Adapted Darwin's ideas from the "Origin of Species" to humans.
- Notion of "Survival of the Fittest."

The Gospel of Wealth: Religion in the Era of Industrialization

- Wealth no longer looked upon as bad.
- Viewed as a sign of God's approval.
- Christian duty to accumulate wealth.
- Should not help the poor.



Russell H. Conwell

"On Wealth"



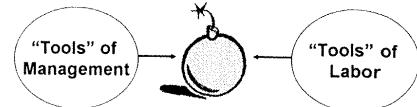
Andrew Carnegie

- The Anglo-Saxon race is superior.
- "Gospel of Wealth" (1889).
- Inequality is inevitable and good.
- Wealthy should act as "trustees" for their "poorer brethren."

- The "New South" IDEOLOGY
 - Advocated by Henry Grady
 - Accepted the "Ideology" but never implemented it.
 - Fails because of Northern obstructionism and reliance on
 - Agriculture (tenant Farming and Sharecropping)
 - Cigarettes (duke)
 - Textile Mills
 - Cheap, unskilled labor (Lintheads)
 - Anything seems good after the war—even textile jobs

- Middle class escape into new opportunities
- BUT—for the vast majority of working women, a job meant NOT starving to death. Wage slaves are dependent on everyone working at least part of the time. 9/10th of America's wealth was in 1/10th of the people's hands.

Management vs. Labor



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|---|--|
| <ul style="list-style-type: none"> ▪ "scabs" ▪ P. R. campaign. ▪ Pinkertons. ▪ lockout. ▪ blacklisting. ▪ yellow-dog contracts. ▪ court injunctions. ▪ open shop. | <ul style="list-style-type: none"> ▪ boycotts. ▪ sympathy demonstrations. ▪ informational picketing. ▪ closed shops. ▪ organized strikes. ▪ "wildcat" strikes. |
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Goals of the Knights of Labor

1. Eight-hour workday.
2. Workers' cooperatives.
3. Worker-owned factories.
4. Abolition of child and prison labor.
5. Increased circulation of greenbacks.
6. Equal pay for men and women.
7. Safety codes in the workplace.
8. Prohibition of contract foreign labor.
9. Abolition of the National Bank.

- The AF of L: 1886-today. Samuel Gompers focused on "Bread and Butter" issues
 - Closed Shops
 - Shorter Hours
 - Catered to the skilled worker.
 - Better pay
 - Safer conditions
 - "Collective Bargaining"
 - NOT a socialist like Powderly—Liked capitalism—just wanted MORE capital for Labor.
 - Exponential gains in membership—but by 1900 ALL of organized labor made up only 3% of the workforce.

How the AF of L Would Help the Workers

1. Represented workers in matters of national legislation.
2. Maintained a national strike fund.
3. Evangelized the cause of unionism.
4. Prevented disputes among the many craft unions.
5. Mediated disputes between management and labor.