OUTLINE 6-1: THE RISE OF INDUSTRIAL AMERICA, 1865-1900

Technological advances, large-scale production methods, and the opening of new markets encouraged the rise of industrial capitalism in the United States.

Large-scale industrial production—accompanied by massive technological change, expanding international communication networks, and pro-growth government policies—generated rapid economic development and business consolidation.

A variety of perspectives on the economy and labor developed during times of financial panics and downturns.

I. Technology and Innovations
   A. Technological Change
      i. The North and Midwest emerged from the Civil War with strong and growing industrial economies, laying the foundation for the sweeping industrialization of the nation in the next half-century and the emergence of the United States as a global economic power by the beginning of the twentieth century.
      ii. Technological change spurred the growth of industry primarily in Northern cities.
      iii. Industrial growth was also encouraged by America’s possession of a wealth of natural resources and navigable rivers.
      iv. A growing population provided the labor force needed for industrialization. Most of the laborers were immigrants from Southern Europe or Americans who moved from rural to urban areas.
   B. The Business of Railroads
      i. Federal Land Grants
         a. Following the Civil War, government subsidies for transportation and communication systems helped open new markets in North America.
      ii. Transcontinental Railroads
         a. The first transcontinental railroad was completed in 1869.
         b. Five transcontinental railroads were constructed during the nineteenth century.
         c. Irish and Chinese workers played key roles in the construction of the transcontinental railroads.
   C. Inventions
      i. Businesses made use of technological innovations, greater access to natural resources, redesigned financial and management structures, advances in marketing, and a growing labor force to dramatically increase the production of goods.
      ii. New/Improved Industries
         a. Railroads
         b. Iron
         c. Coal
         d. Electricity
         e. Steel
         f. Oil
         g. Banking
         h. Telephone
D. Marketing Consumer Goods
   i. Businesses and foreign policymakers increasingly looked outside U.S. borders in an effort to gain greater influence and control over markets and natural resources in the Pacific Rim, Asia, and Latin America.

II. Industrial Empires
   A. Competition and Consolidation
      i. A corporation is essentially a joint-stock company, whereby investors share the profit but share the risk. A corporation has the same legal standing as an individual person.
      ii. Many business leaders sought increased profits by consolidating corporations into large trusts and holding companies, which further concentrated wealth.
      iii. By the end of the 19th century, monopolies and trusts exercised a significant degree of control over key aspects of the American economy.

   B. Carnegie and the Steel Industry
      i. Vertical integration occurs when a company controls both the production and distribution of its product. For example, Andrew Carnegie used vertical integration to gain control over the U.S. steel industry.

   C. Rockefeller and the Oil Industry
      i. Horizontal integration occurs when one company gains control over other companies that produce the same product. For example, John Rockefeller used horizontal integration to gain control over the U.S. oil industry.

III. Laissez-Faire Capitalism
   A. Conservative Economic Theories
      i. Role of Government
         a. According to Adam Smith, the motivation for business was self-interest. Capitalism would therefore work best when the government is “hands-off.”
         b. Some argued that laissez-faire policies and competition promoted economic growth in the long run, and they opposed government intervention during economic downturns.
         c. Government Policies
            1. Land and cash subsidies to railroads
            2. High tariffs to protect manufacturers
            3. Uniform and stable currency
            4. Little government intervention or regulation
      ii. Social Darwinism
         a. Social Darwinism is the belief that the fittest survive both in nature and society.
         b. Wealthy business and industrial leaders used Social Darwinism to justify their success.
         c. Social Darwinists believed that industrial and urban problems are part of a natural evolutionary process that humans cannot control.
         d. Proponents such as Herbert Spencer alleged that the concentration of wealth in the hands of the “fit” was a benefit to the human race.
      iii. Gospel of Wealth
         a. The Gospel of Wealth expressed the belief that, as the guardians of society’s wealth, the rich have a duty to serve society through philanthropy.
         b. It used religion to justify the wealth of successful industrialists.
c. The gospel was promoted by Andrew Carnegie, who donated more than $350 million over his lifetime to support libraries, schools, peace initiatives, and the arts.

IV. Impact of Industrialization

A. The Concentration of Wealth
   i. Corporations built large, systematically organized factories where work was increasingly performed by machines and unskilled workers.
   ii. Corporations introduced systems of “scientific management,” also known as Taylorism, to increase factory production and lower labor costs.
   iii. Corporations accumulated vast sums of investment capital.
   iv. Corporations used the railroads to help develop national markets for their goods.
   v. 10% of the U.S. population controlled 90% of the nation’s wealth.

B. The “Self-Made Man”
   i. The popular Horatio Alger, Jr. stories provided concrete examples of the ideal of the self-made man.
   ii. Alger’s rags-to-riches stories promoted values such as hard work, honesty, and a touch of good fortune.

C. The Expanding Middle Class
   i. As the price of many goods decreased, workers’ real wages increased, providing new access to a variety of goods and services.
   ii. The middle class expanded, as more white-collar jobs became available, providing salaries and discretionary income for more Americans.

D. Wage Earners
   i. Many Americans’ standards of living improved, while the gap between the rich and poor grew.
   ii. Factory bosses exercised the “tyranny of the clock” over their workers.

E. Working Women
   i. Only 1 in 5 women worked by 1900. Most were young and single, working in “pink-collar jobs” such as secretaries, bookkeepers, typists, and telephone operators.
   ii. Women lost status and received lower wages and salaries.

F. Labor Discontent
   i. Labor and management battled over wages and working conditions, with workers organizing local and national unions and/or directly confronting business leaders.
   ii. Laborers worked in inhumane conditions.
   iii. Since unskilled laborers could easily be replaced, there was a high turnover rate among factory workers.

V. The Struggle of Organized Labor

A. Attempts to Organize National Unions
   i. National Labor Union
      a. The methods used most frequently by unions were collective bargaining and strikes.
      b. The National Labor Union (1866) had a membership of 600,000 but failed to withstand the impact of economic adversity.
c. The Panic of 1873 and subsequent depression undermined national labor organizations as workers were desperate and willing to accept any work they could find.

ii. Knights of Labor
   a. The Knights were led by Terence V. Powderly. Under his leadership, the Knights grew rapidly, peaking at 730,000 members in 1886.
   b. The Knights grew rapidly because of their open-membership policy, the continuing industrialization of the American economy, and the growth of urban population.
   c. The Knights welcomed unskilled and semi-skilled workers, including women, immigrants, and African Americans.
   d. The Knights were idealists who believed they could eliminate conflict between labor and management. Their goal was to create a cooperative society in which laborers, not capitalists, owned the industries in which they worked.

iii. Haymarket Bombing
   a. The Haymarket Square riot occurred at Chicago’s McCormick Harvester Plant.
   b. An unknown protester set off a bomb that killed 7 policemen.
   c. The Haymarket Square riot was blamed on the Knights. As a result, the public associated them with anarchists. The union lost popularity and membership.

iv. American Federation of Labor
   a. The AFL was led by Samuel Gompers, the leader of the Cigar Makers Union.
   b. The AFL was an alliance of skilled workers in craft unions.
   c. AFL philosophy was pragmatic and not directly influenced by the dogmatic Marxism of some European labor movements or the IWW.
   d. Under Gompers’ leadership, the AFL concentrated on “bread-and-butter” issues such as higher wages, shorter hours, and better working conditions.

v. Industrial Workers of the World
   a. The IWW was led by “Mother” Jones, Elizabeth Flynn, and Big Bill Haywood.
   b. Like the Knights of Labor, the IWW strove to unite all laborers, including unskilled African Americans, who were excluded from craft unions.
   c. The IWW’s motto was “An injury to one is an injury to all,” and its goal was to create “One Big Union.”
   d. Unlike the Knights, the IWW embraced the rhetoric of class conflict and endorsed violent tactics.
   e. IWW membership probably never exceeded 150,000 workers. The organization collapsed during World War I.

B. Industrial Warfare
   i. Great Railroad Strike of 1877
      a. Provoked by the B&O Railroad’s decision to cut wages for the second time in a year.
      b. Remembered as the first general strike in American history.
      c. The strike paralyzed the nation’s commerce for 45 days.
      d. The strike forced governors in ten states to mobilize 60,000 militiamen to reopen rail traffic.
e. President Hayes used federal troops to restore order after dozens of workers were killed.

ii. Homestead Strike
   a. The strike began as a dispute between the Amalgamated Association of Iron and Steel Workers (AA) and the Carnegie Steel Company.
   b. The AA refused to accept pay cuts and went on strike in Homestead, Pennsylvania.
   c. The strike ultimately culminated in a battle between strikers and private Pinkerton security guards hired by the company.

iii. Coxey’s Army
   a. In response to an economic crisis in 1893, Jacob Coxey led a march on Washington of hundreds of unemployed workers asking for a government work program.
   b. However, one of the main causes of the Panic of 1893 was a large federal deficit so creating a work program would only seemingly exacerbate the problem.
   c. The government met the marchers with force and arrested their leaders.

iv. Pullman Strike
   a. When the national economy fell into a depression, the Pullman Palace Car Company cut wages while maintaining rents and prices in a company town where 12,000 workers lived. This action precipitated the Pullman Strike.
   b. The American Railroad Union, under Socialist Eugene V. Debs was responsible for initiating the strike.
   c. The strike halted a substantial portion of American railroad commerce.
   d. The strike ended when President Cleveland ordered federal troops to Chicago, ostensibly to protect rail-carried mail, but in reality to crush the strike.
   e. Popular opinion deplored violence and militant tactics on the part or organized labor.