

Industrialism in the Gilded Age

Themes of the Gilded Age:
<ul style="list-style-type: none">• Industrialism: U.S. became the world's most powerful economy by 1890s; railroads, steel, oil, electricity, banking
<ul style="list-style-type: none">• Unions and reform movements sought to curb the injustices of industrialism.
<ul style="list-style-type: none">• Urbanization: America was transformed from an agrarian nation to an urban nation between 1865 and 1920.
<ul style="list-style-type: none">• Millions of "New Immigrants" came from Southern and Eastern Europe, mostly to cities to work in factories.
<ul style="list-style-type: none">• By 1900 society had become more stratified into classes than any time before or since.
<ul style="list-style-type: none">• The "Great West": farming, mining, & cattle frontiers
<ul style="list-style-type: none">• Farmers increasingly lost ground in the new industrial economy and eventually organized (Populism)
<ul style="list-style-type: none">• Politics: hard vs. soft money ('70s & '90s); tariff ('80s); corruption due to political machines, patronage & trusts (throughout late 19th c.); election of 1896

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Memory Aid for 2nd Industrial Revolution: "ROSE"

Railroads (especially transcontinental)

Oil

Steel

Electricity

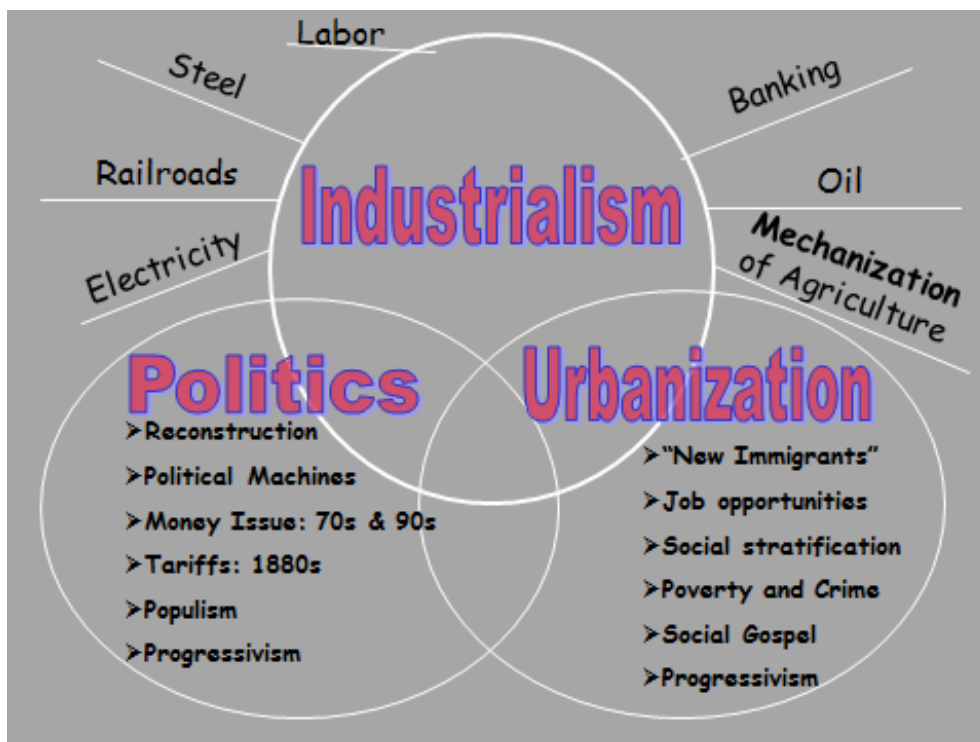
Memory Aid for 1st Industrial Revolution: "TRIC" (before Civil War)

Textiles

Railroads

Iron

Coal



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I. Major Ideas

A. By 1900 the U.S. was the most powerful economy in the world:
exceeded the combined output of Germany and Great Britain.

1. U.S. still borrowed heavily from Europe; after World War I, U.S. emerged as the largest creditor.
2. Technological innovations:
 - a. **Steel**: railroads, skyscrapers, engines
 - b. **Oil**: used mostly to make kerosene for lighting homes, businesses, etc.
 - Later, provided fuel for internal combustable engine, cars, subways, streetcars
 - c. **Electricity**: lights, power, refrigerated railroad cars
 - d. Advances in business: telephone, typewriter, cash register, adding machines.
 - e. Mass popular culture (early 20th century): cameras, phonographs, bicycles, moving pictures, amusement parks, professional sports.
 - f. Contrasts 1st Industrial Revolution: textiles, coal, iron, early railroads.
3. In 1880, about 50% of Americans worked in agriculture; only 25% by 1920; (about 2% today)
4. Class divisions became most pronounced in U.S. history during this period.
5. Farmers lost ground
 - a. In 1880, 25% of those who farmed did not own their land.

- b. 90% of African Americans lived in the South; 75% were tenant farmers or sharecroppers.
- 6. Depressions and recessions led to unrest
 - a. **1873**-1879; 1882-1885; **1893**-1897; **1907**-1908; 1913-1915

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II. Impact of the Civil War on the Economic Expansion

A. Republican legislation

1. Pacific Railway Act (1862) paved the way for the building of the transcontinental railroad
2. National Banking Act (1863) created a modern system that facilitated economic growth
3. The Morrill Tariff (1862) protected American companies from foreign competition
4. The Homestead Act (1862) facilitated westward expansion
5. The Morrill Land Grant Act (1862) provided federal land to create state agricultural colleges

MEMORY AID: SUCCESS OF REPUBLICAN AGENDA DURING CIVIL WAR

A	Abolition of slavery (13th Amendment)
P	Pacific Railway Act
H istory	H omestead Act
M akes	M orrill Tariff
Me	M orrill Land Grant Act
N auseous	N ational Banking Act

B. Civil War economy foreshadowed the Second Industrial Revolution

1. Mass production used to manufacture muskets, bullets, uniforms, etc.
2. A new class of millionaires created; used their capital after the war to invest in industrial growth

III. Railroad building

A. By 1900, 192,556 miles of track; more than all Europe combined

1. Gov't **subsidized** transcontinental railroad building since unpopulated areas were initially unprofitable
 - a. Railroad companies given 155.5 million acres along RR lines (checkerboard)
 - b. Gov't received low rates for postal service and military traffic in return.
2. Cities grew where tracks were laid while bypassed cities became "ghost towns"
3. Growth of railroads sparked the Second Industrial Revolution.
 - Steel and coal industries received a huge boost

B. The Transcontinental Railroad (completed in 1869)

1. **Pacific Railway Act** (1862): Passed by Republican Congress during the Civil War.
 - a. Connecting the Pacific states to the east was seen as urgent to the national security of the U.S.
 - b. Construction began in 1865
2. **Union Pacific Railroad**: built west from Omaha, Nebraska
 - a. Company was granted 20 square miles for each mile of track constructed
 - b. Company was also granted federal loans for each mile: \$16,000 for flat land, \$32,000 for hilly country; \$48,000 for mountainous country
 - c. Irish "paddies" who fought in the Union armies worked at a frantic pace.
 - Workers fended off attacks from hostile Indians; scores lost their lives
 - "Hell on wheels": tented towns sprang up at rail's end; drinking, prostitution
 - d. Insiders of the **Credit Mobilier** construction company pocketed \$73 million for some \$50 million worth of work.
 - Bribed congressmen who looked the other way
3. **Central Pacific Railroad** pushed east from Sacramento over Sierra Nevadas
 - a. Led by the "Big Four"
 - **Leland Stanford** -- ex-governor of CA and future Senator
 - Collis P. Huntington: company vice president who managed the enterprise on a day to day basis.
 - b. Central Pacific was more ethical in its practices compared to the Union Pacific
 - c. Gov't provided same subsidies as to the Union Pacific
 - d. 10,000 Chinese laborers, "coolies," built the railroad.
 - Hundreds lost their lives in premature explosions and other mishaps
 - e. Sierra Nevada Mountains became the major challenge as workers could only chip through a few inches a day through rocky tunnels.
4. **Railroad completed at Promontory Point, Utah on May 10, 1869**
 - a. Union Pacific built 1,086 miles of line
 - b. Central Pacific built 689 miles
5. **Significance**:
 - a. Linked the entire continent via railroad and by telegraph
 - b. Paved the way for incredible growth of the Great West.
 - c. Facilitated a burgeoning trade with the Orient
 - d. Seen by Americans at the time as a monumental achievement along with the Declaration of Independence and the freeing of the slaves.

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6. Other Transcontinental lines

- a. No subsequent railroad lines received gov't loans but all received generous land grants.
- b. Northern Pacific Railroad completed in 1883 (Lake Superior to Seattle)
- c. Atchison, Topeka, and Santa Fe RR completed in 1884
 - Connected those cities through the southwestern deserts to California.
- d. Southern Pacific: New Orleans to San Francisco via Los Angeles (1884)
- e. Great Northern Railroad: Duluth, Minn. to Seattle; completed in 1893
 - **James G. Hill** probably was the greatest of all railroad builders.
 - Believed the prosperity of railroad was based on the prosperity of the area it served
 - He ran agricultural demonstration trains along his lines and imported bulls from England that he distributed to farmers.

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C. Railroad Consolidation and Mechanization

1. **Cornelius Vanderbilt** (1794-1877)

- a. Popularized steel rails; replaced the old iron tracks of the New York Central Railroad
 - Steel safer and more economical since it could carry a heavier load.
 - b. Oversaw a near monopoly of railroad traffic in the eastern U.S.
 - c. Amassed a fortune of \$100 million dollars
 - d. His monopolistic practices and considerable political influence led critics to call him a “robber baron”
2. Jay Gould and Russell Sage by 1880 controlled much of the railroads in the West.
- a. Hurt their railroads by stock watering & keeping profits rather than reinvesting
 - b. Gould had earlier tried to corner the gold market during Grant's presidency.
3. Significant improvements in railroad building
- a. Steel rails, standard gauge of track width, Westinghouse air brake,
 - b. Pullman Palace Cars afforded luxurious travel, introduced in 1860s.

D. Significance of America's railroad network

1. Spurred the industrialization of the post-Civil War years (especially steel)
2. The continent became united physically.
3. Created huge domestic market for US raw materials and manufactured goods.
 - Perhaps the largest integrated market in the world.
4. Stimulated creation of 3 Western frontiers: mining, agriculture, and ranching
5. Led to great exodus to cities from rural areas in late 19th century
 - Railways could feed huge cities; supply raw materials & markets
6. Facilitated large influx of immigrants.
 - Railroads advertised in Europe free travel to new farms in the West.
7. Spurred investment from abroad
8. Creation of distinct "time zones" from coast to coast.
9. Maker of millionaires; a new railroad aristocracy emerged
10. Native Americans were displaced and herded into ever-shrinking reservations.

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E. Railroad corruption by the "Robber Barons"

1. Jay Gould: Forced prices of stocks to boom and bust on some of his lines.
2. Stock watering: Railroad stock promoters grossly inflated the value of stock.
 - Railroad managers were forced to charge high rates and wage ruthless competition to pay off the exaggerated financial obligations.
3. Railroad tycoons became America's most powerful people
 - a. Bribed judges and legislatures, employed effective lobbyists, and elected their own men to office.
 - b. Gave free passes to journalists and politicians.
4. Eventually ruled as an oligarchy instead of cut-throat competition.
 - a. "Pools"
 - Formed defensive alliances to protect their profits from newer competitors
 - Competing firms agreed to divide the market, establish comparable prices, place profits in a common fund, and pro-rate profits.
 - b. Some gave secret rebates or kickbacks to large corporations.
 - c. Slashed rates on competing lines but made up the difference on other lines.
 - d. Hurt farmers with long-haul, short-haul practices
5. Cornelius Vanderbilt:
 - a. "Law! What do I care about the Law? Hain't I got the power?"
 - b. Economically squashed opponents rather than sue them legally.

IV. Government regulation of the railroads

A. Initially, Americans were slow to react to the excesses of the railroad oligarchy.

1. Jeffersonian/Jacksonian ideals were hostile to government interference with business.
2. Americans were dedicated to free enterprise and to the principle that competition fuels trade.
 - Many believed anyone could become a millionaire; the "American dream"

B. Supreme Court decisions

1. Depression of the 1870s spurred farmers to complain about being forced into bankruptcy by unfair railroad policies.
 - Organized agrarian groups such as the Grange (Patrons of Husbandry) that pressured many Midwestern legislatures to regulate the railroads
2. Slaughterhouse Cases, 1873 -- molded Court's interpretation of 14th Amendment for decades.
 - a. Court ruled protection of "labor" was not a federal responsibility under the 14th Amendment but a state responsibility.
 - b. Significance: Protected businesses from federal regulation if they engaged only in intrastate commerce (within a state).
3. ***Munn v. Illinois***, 1877
 - a. The Court upheld one of the pro-farmer "Granger Laws"
 - b. Decision: The public always has the right to regulate business operations in which the public has an interest; ruled against railroads
4. ***Wabash case***, 1886
 - a. Significance: Supreme Court ruled that individual states had no power to regulate interstate commerce; responsibility rested with the federal gov't
 - b. In effect, the decision nullified *Munn v Illinois*.
 - An Illinois law had prohibited railroad short haul & long haul practices
 - Stimulated public demand for the Interstate Commerce Act of 1887
5. In 1886, the Court ruled that a corporation was a "person" under the 14th Amendment.
 - a. Thus, it became extremely difficult for the federal gov't to regulate corporations especially as Supreme Court justices and gov't officials often sided with corporations.
 - b. Railroad companies in particular hid behind the decision.

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- C. **Interstate Commerce Act** passed in 1887 (despite President Cleveland's disapproval)
1. First large-scale legislation passed by federal government to regulate corporations in the interest of society
 - Became a precedent for future regulatory commissions in the 20th century.
 2. Set up the **Interstate Commerce Commission (ICC)**, its most important provision, to enforce and administer the act.
 3. Prohibited rebates and pools; required railroads to publish their rates openly.
 4. Forbade unfair discrimination against shippers and outlawed charging more for short haul than long haul over the same line.
 5. Positive result: provided an orderly forum where competing business interests could resolve conflicts in peaceful ways.
 6. Yet, the ICC didn't effectively regulate the railroads as it was more of a panacea to placate the public
 - Lack of enforcement provisions meant the act had no "teeth"

V. Industrialism and Mechanization

- A. Civil War created huge fortunes and a class of millionaires who was now eager to invest in industry
- B. Natural resources fed industrial growth.
1. Mesabi Range deposits in the Minnesota-Lake Superior region yielded huge tracts of iron ore for steel industry.
 2. Unskilled labor, both domestic and foreign, was now cheap and abundant.
- C. New Technologies
1. Patents increased significantly between 1860-1890
 2. Whitney's interchangeable parts concept was perfected by industry.
 3. Cash register, stock ticker, and typewriter facilitated business operations.
 - Women increasingly entered the workplace to run these machines
 4. Urbanization was spurred by the refrigerator car, electric dynamo, and the electric streetcar.
 5. **Alexander Graham Bell** invented the telephone (1876)
 - a. A telephone network created nation-wide within a few years.
 - b. Young women (usually middle class) worked as operators.
 - Office positions still within the "Cult of Domesticity" parameters for unmarried women
 6. **Thomas A. Edison** (the "wizard of Menlo Park")
 - a. Developed the incandescent light bulb, phonograph, mimeograph, Dictaphone, moving pictures.
 - "Genius is 1% inspiration and 99% perspiration"
 - b. Electricity became another cornerstone of the industrial

revolution

- The Edison Electric Co. set the standard for electricity
- Cities became illuminated almost overnight and electric streetcars (including subways) revolutionized urban living.
- Edison was eventually bought out of his company; it became General Electric

VI. The **Trust** emerges -- destruction of competition

A. "**Vertical integration**": controlling every aspect of the production process

1. Pioneered by **Andrew Carnegie**
2. Carnegie Steel mined ore in the Mesabi Range (leased from Rockefeller), shipped it to the Great Lakes, and railroaded it to steel factories in Pittsburgh.
3. Goal: improve efficiency by making supplies more reliable, controlling quality of the product at all stages of production, and eliminating middlemen's fees
4. Vertical integration was not as detrimental to competition as horizontal consolidation.

B. "**Horizontal integration**"

1. Consolidating with competitors to monopolize a given market.
2. **John D. Rockefeller**: Pioneered the "trust" in 1882 as a means of controlling his competition through the **Standard Oil Company.**
3. **Trust**: Stockholders in various smaller oil companies sold their stock and authority to the board of directors of Rockefeller's **Standard Oil Company.**
 - a. Stockholders received trust certificates and the board of trustees exercised full control of the business.
 - b. Trusts consolidated operations of previously competing enterprises.
 - c. Standard Oil eventually cornered the world petroleum market.
 - Company was worth about \$900 million upon Rockefeller's retirement in 1897, *before* the auto industry was born.

C. "**Interlocking directorates**" were organized by **J. P. Morgan**

1. Depression of the 1890s drove many struggling businessmen into Morgan's arms.
2. He sought to consolidate rival enterprises and ensure future harmony by placing officers of his own banking syndicate on their various boards of directors.
3. In the 20th century, holding companies, came to thwart anti-trust legislation
 - a. Bought controlling shares of stock in member companies instead of purchasing companies outright.

- b. While the "held" companies remained separate businesses on paper, in reality, the holding company controlled them.
- c. Holding Companies made trusts unnecessary and permitted actual mergers.

D. The nation's concentration of financial power enhanced economic growth, paved the way for large-scale mass production, and stimulated new markets.

VII. The Steel Industry

A. Cornerstone of the Second American Industrial Revolution

1. Held together skyscrapers, coal scuttles, railroad tracks.
2. Typified "heavy industry" which concentrated on making "capital goods" rather than consumer goods.
3. By 1900, the U.S. produced as much steel as Britain and Germany combined.

B. Andrew Carnegie

1. Came to U.S. in 1848 from Scotland as a boy by impoverished parents.
2. Carnegie became the first to utilize the Bessemer process (which had been developed in Europe in the 1850s on a small scale)
 - a. The process turned iron into steel by blowing oxygen through the molten material before it hardened
 - b. Steel could now be readily produced for locomotives, steel rails, and the heavy girders used in building construction.
3. Carnegie disliked monopolistic trusts
 - a. His organization was a partnership that involved about 40 steel tycoons, at one point.
 - b. Henry Clay Frick was his able general manager and partner
4. By 1890, Carnegie was producing about 1/4 of the nation's Bessemer steel
5. He eventually sold his company to J. P. Morgan for over \$400 million
6. Spent the rest of his life giving money away to the public: libraries, pensions for professors, etc.; in all, about \$350 million!

C. J. Pierpont Morgan

1. Owned a Wall Street banking house which financed the reorganization of railroads, insurance companies, and banks.
 - He had a reputation for integrity; did not believe "money power" was dangerous unless it was in the wrong hands.
2. In 1901, he launched the enlarged United States Steel Corporation
 - a. It was a combination of Carnegie's holdings and others, and stock watering.

b. Corporation capitalized at \$1.4 billion making it America's first billion dollar corporation (greater than sum of entire nation in 1800!); however, half of the stock's worth was "water"

D. Charles Schwab was also important in shaping the steel industry (Bethlehem Steel)

VIII. The Petroleum industry and other trusts

A. Rockefeller's first well in Pennsylvania in 1859 started the U.S. petroleum industry overnight.

1. Oil would dwarf the wealth generated by all the gold extracted in the West.
2. Kerosene emerged as the standard for lamps, crippling the old whale-oil business.

B. John D. Rockefeller

1. Came from a modest background and became a successful businessman at age 19.
2. In 1870, he organized the Standard Oil Co. of Ohio.
 - a. By 1877, Rockefeller controlled 95% of oil refineries in U.S., constituting a near **monopoly**
 - b. Utilized horizontal organization
 - c. He pursued a policy of rule or ruin; ruthless in his business tactics
 - Believed he was obeying law of nature -- survival of the fittest
3. Standard Oil produced a quality product at a cheap price that fueled important economies home and abroad
 - a. Large-scale methods of production and distribution
 - b. Consolidation proved more profitable than ruinous price wars.

C. Gustavus F. Swift & Philip Armour became kings of the meat industry

- Earned enormous profits from western herds

D. James Buchanan Duke (American Tobacco Company)

1. 1885, his company became the first to utilize a new cigarette-making machine.
2. The American Tobacco Company eventually bought out its competitors and created a monopoly in the cigarette market.

E. Andrew Mellon

1. Financier who became one of America's greatest venture capitalists
2. Expert ability to select, back, and acquire shares of promising business ventures such as the Aluminum Co. of America, Gulf Oil Corporation, and the Pittsburgh Coal Company.

IX. The "Nouveau Riche" and the justification of wealth

- A. Arrogant new super-rich "leisure class" emerged during the second industrial revolution
 - 1. Their wealth was unprecedented
 - 2. Their conspicuous consumption and flaunting of wealth made them targets of critics who called them "robber barons"
 - 3. By 1890, corporations owned about 40% of the value of all property in the U.S.

- B. Older American aristocracy of successful merchants and professionals were highly resentful and concerned about the new changes in the order of society
 - 1. Patrician families (e.g. Roosevelts) were losing power and prestige in the face of the "new rich"
 - 2. Economic liberty and community involvement was being overshadowed by monopoly and political machines.
 - 3. Some became anti-trust crusaders

- C. Yet despite the emerging plutocracy and deep class divisions, the captains of industry provided material progress.
 - 1. The overall standard of living in America continued to rise
 - 2. Despite monopolistic practices, most goods were actually cheaper than they had been
 - 3. Millions of people were employed in these new industries

D. Social Darwinism

- 1. **Charles Darwin -- *Origin of the Species* (1859)**
 - a. Advanced the theory of evolution
 - b. Although Darwin's work was rooted in biology, others used his theory as the foundation for promoting the virtues of free-market capitalism.
- 2. **Herbert Spencer** advocated idea of **Social Darwinism**
 - a. Applied Darwin's theory of **natural selection** to human competition
 - b. The natural law of survival of the fittest seemed to justify the inequities in human society between the wealthy and the poor
 - c. Those who were poor bore the blame due to their perceived laziness, lack of virtue, and lack of talent
- 3. "Millionaires were a product of natural selection": **William Graham Sumner, *What Social Classes Owe to Each Other* (1883)**

E. Some argued that God chose winners and losers in society

- 1. John D. Rockefeller: "The good Lord gave me my money"
- 2. Resembled "divine right of kings" in justifying power
- 3. Identify of interest idea held that the existing hierarchy was just and

decreed by God.

4. Those who stayed poor must be lazy and lacking in enterprise.
 - a. Many of the new rich had succeeded from modest beginnings (e.g. Carnegie)
 - b. **Rev. Russell Conwell: "Acres of Diamonds"**, lectures
 - "There is not a poor person in the U.S. who was not made poor by his own shortcomings."

F. Andrew Carnegie and the "Gospel of Wealth"

1. Justified uneven distribution of wealth by industrialists
 - a. Synthesized prevailing attitudes of wealth and survival of the fittest.
 - b. He believed wealth was God's will
 - c. Believed in the long run extreme disparities of wealth were good for the "race" because the wealthy added to civilization.
 - d. Believed alternative to inequities of wealth was universal squalor.
2. He wrote that one's wealth should largely be donated for the public good (e.g. libraries, universities, hospitals, parks, concert halls, etc.)
 - a. He criticized the "nouveau riche" who flaunted their wealth and did not partake in philanthropy for the common good of the community
 - b. Many wealthy folks believed Carnegie was a traitor to his class
 - c. John D. Rockefeller followed his advice and gave away \$550 million by the time he died at age 97
3. He argued against cash hand-outs to individuals in want as this would stifle individual initiative
4. Identity-of-interest argument: People should accept their station in life and work to become successful but should not blame the rich for being too successful.

X. Government regulation of trusts

A. Sherman Anti-Trust Act of 1890

1. Created in response to public demand for curbing excesses of trusts.
2. Provision: Forbade combinations in restraint of trade, without any distinction between "good" trusts and "bad" trusts.
3. Largely ineffective as it had no significant enforcement mechanism.
 - a. First 7 of 8 decisions were shot down by the Supreme Court.
 - *U.S. v. E.C. Knight, Co.* 1895 – Court ruled sugar refining was manufacturing *and not* trade or commerce!
 - b. More trusts formed in 1890s under President McKinley than during any other like period.
 - c. Not until the Hepburn Act of 1906 and the 1914 (Clayton Anti-Trust Act) was the Sherman Act given "teeth."

4. Ironically, used by corporations to curb labor unions or labor combinations that were deemed to be restraining trade.

B. Public interests now challenging private enterprise in political power due to such acts as the Interstate Commerce Act of 1887 and the Sherman Anti-Trust Act.

- Revolutionary in the sense that the public was shifting toward supporting government protection through regulation

XI. The "New South"

A. The Changing South after the Civil War

1. Political: Southern whites saw the Democratic party as only viable party. (see Unit 8.5 notes for more details)

- a. "Solid South" emerged after 1877, with the Democratic party firmly in control
- b. To ensure its control, each southern state passed legislation taking voting rights away from blacks (e.g., literacy tests, poll taxes, "grandfather clauses.")

2. Social: White leadership adopted "Jim Crow" laws that required separation of public facilities.

- Political/economic power remained in hands of powerful white aristocracy.

3. "Redeemers" & "Bourbons": Created a powerful conservative oligarchy that controlled every Southern state government after the end of Reconstruction.

- While similar to antebellum planter class, it also included merchants, industrialists, railroad developers, and bankers.

B. Growth of Southern Industry

1. **Henry Grady**, editor of the *Atlanta Constitution* (newspaper), challenged the South to industrialize and modernize.

- Urged the South to out-produce the North commercially and industrially.

2. Major challenges to southern industrialization

- a. South remained a predominantly rural society
- b. Lack of capital
- c. Little technological innovation
- d. Northern dominance remained in banking and technology.

3. Cotton industry further developed

- a. Mill towns emerged in the Carolinas and Georgia
- b. Large wealthy southern interests vertically integrated the cotton industry
- c. Textile factories were encouraged by southern governments who offered low taxes, a cheap labor supply, and an abundance of water power.

- "Move the mill to the cotton"

- White workers earned wages 30-50 percent less than did New England workers
 - Mill towns controlled workers' lives.
 - While providing community and solidarity among workers, mill towns prevented union organization.
4. Coal mining industry grew along the Appalachian Mountain range
 5. The Tobacco Trust
 - a. Tobacco industry grew dramatically after 1880 with the advent of machine-made cigarettes
 - b. James Buchanan Duke & family: American Tobacco Co.
 - Mass-produced slim cigarettes at their North Carolina factory
 6. Iron and steel production developed in Birmingham, Alabama
 - However, northern interests came to dominate southern production (e.g. Carnegie and Morgan)
 7. Thousands of miles of rail lines were built, though half were dominated by northern interests
 - Southern industrialism impaired by railroads charging higher rates for transporting southern manufactured goods than raw materials
- C. Agriculture still dominated the southern economy; South remained rural, industrialism slow to take hold
1. Plantation system degenerated into a pattern of absentee land ownership with white tenant farmers or black sharecroppers tilling the land.
 2. **Crop-lien system** was at the core of Southern agriculture – **Sharecropping**
 - a. A farmer mortgaged his future crop in return for use of land and to acquire supplies from the owner of a local store selling tools or seed.
 - b. Since merchants seldom had competitors, farmers paid inflated prices for goods purchased on credit as well as high interest.
 - c. Often, a farmer's harvest was given away in its entirety to the merchant but the farmer still remained in debt.
 - d. Indebtedness tended to increase annually resulting in the eventual loss of land for the farmer.
 - e. This system of economic tyranny contributed to increase in cash crop growth as that was seen as a more profitable way of paying off debts.
- D. Results of Industrialization
1. By 1900, southern manufacturing remained at just 10% of the national level (same as 1860).
 2. Per capita income in the South was 60% of the national average
 3. Average income in the South was only 40% of income in the North
 4. Sharecropping still dominated southern agriculture by 1900 (black

- and white tenant farmers accounted for 70% of southern farmers)
5. South was still largely dependent on the North for banking resources and manufactured goods

E. The "**Lost Cause**" and "Redemption"

1. Southerners remained proud of their defiance in defense of states' rights during the Civil War.
2. After Reconstruction ended, "Redemption" resulted in Confederate memorials and cemeteries commemorating the "Lost Cause."
3. Joel Chandler Harris: *Uncle Remus* (1880)
 - a. Harris' tales depicted antebellum slave society as a harmonious World (e.g. Disney's *Song of the South* cartoon in the 1950s)
 - b. Popular nostalgic tales showed the role and power of the Southern past.

XII. Impact of the Second Industrial Revolution on America

- A. Standard of living rose sharply and remained highest in the world
- B. Urban centers mushroomed as factories increasingly demanded more labor
- C. American agriculture eclipsed by industrialism: railroads, steel, oil, electricity
- D. Free-enterprise eclipsed by monopoly
- E. The work-place became regimented and impersonal
- F. Women achieved social and economic independence in new careers as typing, stenography, and switchboard operating -- Marriages delayed, smaller families resulted
- G. Social stratification most pronounced in U.S. history
 1. By 1900, about 10% controlled 90% of the nation's wealth.
 2. Lower classes envious and resentful of the nouveau riche
- H. Foreign trade developed as high U.S. productivity resulted in overproduction.

XIII. Rise of the **Labor Movement**

- A. Conditions for workers in the 2nd Industrial Revolution were tough
 1. Low-skilled jobs made workers expendable as number of workers were abundant
 - a. Automation created short-term losses of jobs; better in long-run
 - b. Before mechanization, most manufacturing was done by skilled craft workers (such as shoemakers, saddle-makers); the earliest unions were trade unions.
 - c. Working conditions were often dismal and impersonal
 - d. Recourse for workers was minimal in the face of the vast power of industrialists
 - Strikes were often nullified by the use of "scab" workers
 - Conservative federal courts often ruled in favor of corporations

- Corporations could also ask states to call in troops.
 - Employers could lock-out workers & starve them into submission.
 - Workers often were forced to sign "ironclad oaths" or "yellow dog contracts" which were agreements not to join a labor union.
 - Businesses also blacklisted rebellious workers.
- e. Corporations sometimes owned a "company town" where high priced grocery stores, easy credit, and rent deductions created a cycle of debt
- f. Public grew tired of frequent strikes; became unsympathetic to labor's demands.
- Strikes seemed to many Americans as foreign and socialistic and thus, unpatriotic.
 - Yet, wages were perhaps the highest in the world.
2. Labor's goals of currency reform (calls for inflation) and opposition to the national bank alarmed conservatives for the rest of the century.
- B. The Civil War boosted labor unions
1. Drain of human resources during the war put more value on labor
 2. The rising cost of living created the urgent incentive to for workers to unionize.
 - By 1872, several hundred thousand organized workers and 32 national unions existed, including crafts as bricklayers, typesetters, and shoemakers.
 3. **Collective bargaining emerged as standard union demand.**
 - Workers sought to vote for their own representatives that would negotiate on their behalf with company owners
- C. **National Labor Union** (organized in 1866)
1. Provided a major boost to the union movement.
 - a. Led by William Sylvis
 - b. Sought to bring together skilled craft unions into one large one
 2. Lasted 6 years and at its peak boasted about 600,000 workers
 3. Focused on social reform (such as abolition of the wage system); 8-hour work-day and arbitration of industrial disputes.
 - Succeeded in getting 8-hr day for gov't workers but the new laws had no means of enforcement; provisions were not implemented.
 4. **Colored National Labor Union** founded in 1869 by African Americans after they were encouraged to form a separate branch of the NLU
 5. NLU killed by the Panic of 1873 and subsequent depression of the mid-1870s.

- D. Molly Maguires (formed in 1875 by Irish anthracite-coal miners in Pennsylvania)
1. Part of Irish American secret fraternal organization (Ancient Order of Hibernians).
 2. Used intimidation, arson, & violence to protest owners' denial of their right to unionize.
 3. President of the Reading Railroad called in the Pinkerton detective agency for help. (The Pinkertons were a large security force for hire.)
 4. Mollies were destroyed and 20 of its members were hanged in 1877.
 5. The Mollies became martyrs for labor; symbol for violence among conservatives.

E. **Great Railroad Strike** (1877)

1. Several railroads announced wages to be cut by 10% for 2nd time since 1873.
2. First nationwide strike; paralyzed railroads throughout the East and Midwest and idled some 100,000 workers.
 - a. Later, farmers, coal miners, craft workers, and the unemployed joined in.
 - b. Involved 14 states and ten railroads.
3. President Hayes sanctioned use of federal troops in PA; set precedent for future federal intervention.
-- Led to over 100 deaths and terrified propertied classes.
4. Strike inspired support for the Greenback-Labor party in 1878 and workingmen's parties in the 1880s.

F. **Knights of Labor** seized the torch of the defunct NLU.

1. Background
 - a. Led by **Terence Powderly** – a moderate; *not* a radical
 - b. Founded in 1869 as a secret society (like the Masons and others)
 - Officially known as The Noble and Holy Order of the Knights of Labor
 - c. Secrecy continued through to 1881 to prevent retribution by employers.
 - d. Used republican imagery associated with Lincoln that each man should have a say in the political and economic issues that affected him.
 - e. Much of the leadership and membership was Irish.
2. Sought to include all workers in "one big union" including blacks & women.
 - a. Excluded only liquor dealers, gamblers, lawyers, bankers, and stockbrokers.
 - b. Industrial unionism idea was ahead of its time (not seen until 1930s).
 - Most 19th century unions were trade unions with skilled

- workers.
3. Campaigned for economic and social reform
 - a. Sought producers' cooperatives and codes for safety and health; and an end to child labor.
 - Cooperative idea paralleled the Grange in the west.
 - Sought to replace wage system with all workers owning factories.
 - b. Fought for an 8-hr workday through winning a number of strikes, higher pay and equal pay for women.
 - c. Sought government regulation of railroads; postal savings banks, gov't paper currency
 - d. Sought arbitration rather than industrial warfare.
 - Discouraged strikes and violence as a means for change
 - However, Powderly's ban on strikes would be ignored and lead to the Knight's demise.
 - e. Knights won a major strike in 1885 against Gould's struggling railroad company.
 - The victory increased the Knight's membership to more than 700,000 in 1886.
 4. Demise due to the Great Upheaval (1886) – 1,400 strikes involving 500,000 workers and the **Haymarket Square bombing**
 - a. To many, Knights were a huge organization that could throw the economy into chaos.
 - b. Involvement in a number of May Day strikes in 1886 resulted in 50% failure.
 - c. **Haymarket Square Bombing** in Chicago
 - May 4, 1886, Chicago police advanced on a meeting called to protest alleged police brutality in the May Day strikes.
 - Alleged German anarchists gave a speech that urged the violent overthrow of gov't
 - A dynamite bomb thrown in the crowd killed 8 police; 60 officers were injured by police fire; 7 or 8 civilians were killed; 30-40 wounded
 - Result: first full-blown red scare in Chicago lasted 2 months.
 - 5 anarchists sentenced to death; 3 others given stiff prison sentences although nobody could prove they had anything to do with the bombing.
 - 1892, Gov. John P. Altgeld, a German-born Democrat, pardoned the 3 survivors after exhaustive study of the Haymarket case.
 - Defeated for reelection probably due to a conservative backlash.
 - d. The rise of workingmen's parties in various cities scared conservatives who blacklisted members through employers' associations.

- Employees had to sign "yellow dog" contracts or take "iron clad" oaths.
- e. Knights of Labor became mistakenly associated with anarchists
 - 8-hr movement suffered and subsequent strikes met with many failures.
- f. The inclusion of both skilled and unskilled workers proved fatal
 - Unskilled labor could easily be replaced with "scabs."
 - High-class craft unionists enjoyed a superior bargaining position.
 - Became frustrated with giving up their bargaining advantage due to the failure of unskilled labor strikes.
 - Powderly's cautious leadership stifled rank-and-file mobilization by opposing strikes and forbidding political action.
 - Skilled craftsmen sought a union of exclusively skilled craft unions.
- g. By 1890s, the Knights of Labor had only 100,000 members left, most of whom ultimately left to join other protest groups.

F. American Federation of Labor (AF of L)

1. Formed in 1886 under the leadership of **Samuel Gompers**
2. Consisted of an association of self-governing national unions with the AFL unifying the overall strategy.
3. Gompers' path was fairly conservative as he opposed socialism and preferred to be non-political
 - a. He accepted existence of two conflicting classes: workers and employers.
 - b. Only wanted labor to win its fair share; better wages and hours, and improved working conditions ("**bread and butter**" issues)
 - c. He did, however, persuade his members to vote for pro-union candidates
4. Closed shop instituted by the AF of L: all workers in a unionized industry had to belong to the union.
 - Provided necessary funds to ride out prolonged strikes.
5. Chief strategies of AFL: walk-out and boycott
 - a. By 1900, it had about 500,000 members (critics called it the "labor trust")
 - b. Shortcomings: did not represent unskilled labor especially women and blacks.

G. Major strikes in the 1890s

1. **Homestead Strike** (1892) occurred in Carnegie's steel plant near Pittsburgh
 - a. Henry Clay Frick & Carnegie announced a 20% pay slash for steelworkers
 - b. Amalgamated Association of Iron, Steel, and Tin Workers went

- on strike and Frick then locked them out.
- c. Workers surrounded the factory; scabs were not allowed through the picket lines
 - d. Frick called in 300 Pinkerton detectives to break the strike
 - Armed strikers forced Pinkertons to surrender after 9 Pinkertons and 7 workers were killed and about 150 wounded.
 - e. Pennsylvania's governor brought in 8,000 state militia and scabs replaced workers; strike effectively broken
 - Dozens of workers were indicted on 167 counts of murder, rioting, and conspiracy but the jury eventually found the leaders innocent.
 - Union was effectively broken.
 - f. Demonstrated a strong employer could break a union if it hired a private police force and gained gov't and court protection.
2. **Pullman Strike, 1894**
- a. Pullman Palace Car Company responded to the Great Railroad Strike of 1877 by building a model company town for his workers near its factory in Chicago.
 - b. Pullman Co. was hit hard by the depression & cut wages by 1/3 yet maintained rent prices in the company town.
 - c. **Eugene V. Debs** helped organize **American Railway Union** of about 150,000 rail workers
 - Workers went on strike while overturning some Pullman cars
 - Railway traffic from Chicago to the Pacific Coast was paralyzed.
 - d. Attorney General Richard Olney sent in federal troops stating strikers were interfering with the transit of U.S. mail.
 - President Cleveland: "If it takes the entire army and navy to deliver a postal card in Chicago, that card will be delivered"
 - Troops sent in over Governor Altgeld's objections and violence spread to several states, costing 34 lives.
 - The strike was crushed and the ARU was destroyed.
 - e. Debs and his lieutenants sentenced to 6 months jail time for contempt of court.
 - Debs used his time to read radical literature which influenced his later leadership of the Socialist movement in U.S.
 - f. First time the federal gov't used an **injunction** to break a strike
 - The gov't made striking, an activity not previously defined as illegal, a crime
 - Strikers would thus be held in contempt of court and could be imprisoned without a jury trial.
3. Between 1881-1900, 23,000 strikes occurred involving 6.6 million workers (about 3% of all working people)
- a. Public finally began to accept workers' right to organize, bargain collectively, and strike.

b. Labor Day made a legal holiday by Congress in 1894.

H. By 1900 Unions had largely failed to achieve their goals

1. Wages remained almost the same compared to 1865
2. Work hours remained high in most industries
3. Working conditions remained oppressive
4. Most unions were either broken or severely weakened by owner or government actions (e.g. Knights of Labor, American Railway Union)
5. American Federation of Labor was among the few unions that remained intact and saw improvements for its workers

Memory Device for the Labor Movement: 1865-1900

3 Big Unions	3 Big Strikes
National Labor Union, Knights of Labor American Federation of Labor	Great Railroad Strike, 1877 Homestead Strike, 1892 Pullman Strike, 1894

G. Labor movement by the early 20th century

1. *Lochner v. New York* (1905) – Supreme Court overturned a New York law limiting bakers to 60 hours per week.
2. Danbury Hatters case, 1908 in Connecticut: assessed more than \$250K on striking hat makers; workers were to lose savings and homes.
 - Supreme Court had ruled that the trade union had violated the Sherman Act by interfering with interstate commerce
3. Supreme Court in 1908 upheld the use of the broadest injunctions and did much to destroy organized labor.
 - In 1910, union membership was reduced to 1.5 million, down from 2 million in 1904.
4. AF of L vigorously entered national politics in 1908; endorsed the Democratic party
5. Clayton Anti-Trust Act, 1913—exempted unions from Sherman Antitrust provisions.
 - a. Hailed by Gompers as "the magna carta of labor."
 - b. By 1917 AF of L membership reached 3 million
6. "Red Scare" after World War I led to crackdowns on labor and the movement declined significantly until Franklin Roosevelt's New Deal in the 1930s.

Terms to Know

<p>Second Industrial Revolution steel industry oil industry, kerosene electricity transcontinental railroad subsidy Pacific Railway Act Union Pacific Credit Mobilier Central Pacific Leland Stanford James G. Hill Cornelius Vanderbilt "robber baron" <i>Munn v. Illinois</i>, 1877 <i>Wabash case</i>, 1886 Interstate Commerce Act telephone Thomas Edison vertical integration Andrew Carnegie horizontal integration trusts John D. Rockefeller Standard Oil Company J. P. Morgan interlocking directorates Bessemer process United States Steel Corp "nouveau riche" Charles Darwin, <i>Origin of the Species</i> Herbert Spencer Social Darwinism "survival of the fittest"</p>	<p>William Graham Sumner Rev. Russell Conwell, <i>Arcs of Diamonds</i> "Gospel of Wealth" Sherman Anti-Trust Act "New South" Henry Grady James B. Duke sharecropping crop lien system "The Lost Cause" collective bargaining "yellow dog" contracts National Labor Union Colored National Labor Union Molly Maguires Great Railroad Strike Knights of Labor Terence Powderly "one big union" Haymarket Square bombing American Federation of Labor Samuel Gompers "bread and butter" issues "closed shop" walk-outs boycotts "8 hours for work, 8 hours for rest, 8 hours for what we will" Homestead Steel Strike Pullman Strike Eugene Debs injunction</p>
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Essay Questions

Note: This unit is the highest probability area for the AP exam! In the past 10 years, 7 questions have come wholly or in part from the material in this Unit. This sub-unit is a high probability area for the AP exam. In the past 10 years, 5 questions have come wholly or in part from the material in this sub-unit. Below are some questions that will help you study the topics that have appeared on previous exams.

1. Analyze major factors for the "Second Industrial Revolution in America.
2. Industrialists such as Rockefeller, Carnegie, and Morgan were controversial because of their vast wealth. Should these industrialists (and other major industrialists of the era) be labeled "Robber Barons" or "Captains of Industry?" Justify your opinion with concrete facts.
3. Is the "New South" a valid term during the period 1865 to 1900?
4. Identify major goals of the labor movement during the Gilded Age. To what extent was the labor movement successful in achieving these goals by 1900?

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