

INDUSTRIALISM: 1865-1900

I. Major Ideas

- A. By 1900 the U.S. exceeded the combined output of Germany and Great Britain.
 - 1. Technological innovations:
 - a. steel: railroads, skyscrapers, engines
 - b. oil: internal combustable engine, cars (suburbs), subways, street railroads
 - 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.
 - 2. In 1880, about 50% of Americans worked in agriculture; only 25% by 1920
 - 3. Class divisions became most pronounced in U.S. history during this period.
 - 4. Depressions and recessions led to unrest: **1873**-1879; 1882-1885; **1893**-1897; **1907**-1908; 1913-1915

II. Railroad building

- A. Significance of America's railroad network
 - 1. Spurred the industrialization of the post-Civil War years (especially steel)
 - 2. Sprawling nation became united physically.
 - 3. Created enormous domestic market for US raw materials and manufactured goods
 - 4. Stimulated creation of 3 Western frontiers: mining, agriculture, and ranching
 - 5. Railroad led to great urban migration of late 19th c. -- Railways could feed huge numbers of people; supply raw materials and markets
 - 6. Facilitated large influx of immigrants -- Advertised in Europe free travel to new farms in the American West.
 - 7. Spurred investment from abroad
 - 8. Concept of time altered with creation of distinct "time zones" from coast to coast.
 - 9. Maker of millionaires; a new railroad aristocracy emerged
 - 10. Native Americans displaced and herded into ever-shrinking reservations.
- B. Railroad corruption by the "**Robber Barons**"
 - 1. Railroad tycoons, for a time, became the most powerful people in America.
 - a. Bribed judges and legislatures, employed effective lobbyists, and elected their own men to office.
 - b. Gave free passes to journalists and politicians.
 - 2. Eventually ruled as an oligarchy instead of cut-throat competition.
 - a. "**Pools**"
 - i. Formed defensive alliances to protect their profits.
 - ii. Competing firms agreed to divide the market, establish 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 difference on other lines.
 - d. Hurt farmers with **long-haul, short-haul** practices
- C. Government regulation of the "Robber Baron" railroad tycoons
 - 1. **Interstate Commerce Act** passed in 1887 (despite Cleveland's disapproval)
 - a. Set up **Interstate Commerce Commission (ICC)**
 - b. Prohibited rebates and pools and required railroads to publish their rates openly.
 - c. Forbade unfair discrimination against shippers and outlawed charging more for **short haul** than **long haul** over the same line.
 - d. Positive result -- provided an orderly forum where competing business interests could resolve their conflicts in peaceful ways.
 - e. Yet, ICC didn't effectively regulate the railroads; more of a panacea to public.

III. Industrialism and Mechanization

- A. Civil War profiteering created huge fortunes and a class of millionaires now eager to invest.
- B. Natural resources fed industrial growth.
- C. Unskilled labor, both domestic and foreign, was now cheap and abundant.
- D. Whitney's interchangeable parts concept now perfected by industry.
 - 1. Cash register, stock ticker, and typewriter facilitated business operations.
 - Women increasingly entered the workplace to run these machines.
 - 2. Urbanization spurred by the refrigerator car, electric dynamo, and the electric railway.
- E. **Alexander Graham Bell's** telephone (1876)
- F. **Thomas A. Edison:** Electric light (most famous), phonograph, mimeograph, Dictaphone, moving pictures.

IV. Impact of the Second Industrial Revolution on America

- A. Standard of living rose sharply as well-fed American workers enjoyed more physical comforts than any other nation.
- 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 as careers in typing, stenography, and switchboard operators became available -- 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 threatened to flood American market.

- V. The **Trust** emerges -- destruction of competition
- A. "**Vertical integration**" -- controlling every aspect of the production process (**Carnegie**)
 - 1. Goal is to improve efficiency by making supplies more reliable, controlling the quality of the product at all stages of production, and eliminate middlemen's fees
 - 2. Not as detrimental as horizontal consolidation.
 - B. "**Horizontal integration**" -- consolidating with competitors to monopolize a given market.
 - 1. **John D. Rockefeller**: Pioneered the "**trust**" in 1882 as a means of controlling his competition through the **Standard Oil Company**.
 - 2. **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 receive trust certificates and the board of trustees exercises full control of the business.
 - b. Trust consolidated operations of previously competing enterprises.
 - c. Standard Oil eventually cornered the world petroleum market.
 - C. "**Interlocking directorates**" mastered by **J. P. Morgan**
 - 1. Sought to consolidate rival enterprises and ensure future harmony by placing officers of his own banking syndicate on their various boards of directors.
 - 3. Eventually, **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. Concentration of financial power enhanced economic growth, paved the way for large-scale mass production, and stimulated new markets.

VI. The Steel Industry emerges

- A. Cornerstone of the 2nd American Industrial Revolution
 - 1. Typified "heavy industry" which concentrated on making "capital goods" rather than consumer goods.
 - 2. By 1900, U.S. was producing as much steel as Britain and Germany combined.
- B. **Bessemer process** -1850s → Turned iron into steel.
- C. **Andrew Carnegie**
 - 1. By 1890, Carnegie was producing about 1/4 of the nation's Bessemer steel
 - 2. Eventually sold his company to J. P. Morgan for over \$400 million
 - 3. Spent rest of life giving money away to the public: libraries, pensions for professors, etc. -- in all, about \$350 million.
- D. **J. Pierpont Morgan**
 - 1. In 1901, he launched the enlarged **United States Steel Corporation**
 - a. Combination of Carnegie's holdings and others

VII. The Petroleum industry and other trusts

- A. First well in PA in 1859 started U.S. petroleum industry overnight.
- B. **John D. Rockefeller**
 - 1. In 1870, organized the **Standard Oil Co.** of Ohio -- By 1877, Rockefeller controlled 95% of oil refineries in U.S.
 - 3. Pursued a policy of rule or ruin; ruthless in his business tactics
 - Believed he was obeying law of nature -- survival of the fittest.

4. Standard Oil produced a quality product at a cheap price which 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

VIII. Social Darwinism

- A. Although Darwin's work was rooted in biology, others used his theory as the foundation for promoting the virtues of free-market capitalism.
- B. **Herbert Spencer** -- advocated idea of **Social Darwinism**
 - a. Applied Darwin's theory of **natural selection** to human competition
 - b. Established sociology as a respected discipline in the U.S.
- C. "Millionaires a product of natural selection": **William Graham Sumner --What Social Classes Owe to Each Other**
- E. Some argued that Divine Providence was responsible for winners and losers in society
 1. God had granted wealth as He had given grace for material and spiritual salvation of the select few → Rockefeller: "The good Lord gave me my money"
 2. Resembled "Divine Right of Kings" in justifying power
 3. Those who stayed poor must be lazy and lacking in enterprise.
- F. **The Gospel of Wealth** -- justified uneven distribution of wealth by industrialists
 1. **Andrew Carnegie: The Gospel of Wealth** synthesized prevailing attitudes of wealth and survival of the fittest.
 2. Wealth was God's will
 3. Stated money should be give away for the public good but not to individuals in want (Rockefeller gave away \$550 million by his death at age 97).
 4. Believed in the long run extreme disparities of wealth were good for the "race," because the wealthy added to civilization.
 5. Believed alternative to inequities of wealth was universal squalor.
 6. Identity-of-interest argument

IX. 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 presented by attorney general were shot down by Court.
 - b. More trusts formed in 1890s under President McKinley than during any other similar period.
 - c. Not until 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 eclipsing 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 public was shifting toward government protection