



Basis for Industrialization

- Natural Resources
 - Hamilton's beliefs about industrialization
 - raw materials
 - soil
 - rivers
- Constitution and Government Policy
 - Laissez Faire economics
 - Protective tariffs
 - Railroads
 - distant markets
 - grew after 1860
 - standard gauge



Basis for Industrialization cont.

- Population growth

- 5 million in 1800 to 76 million in 1900

- Increased birthrate

- Immigration

- Increased labor supply

- Invention

- Bessemer process: burned out the impurities in iron

- Edison: Light bulb and phonograph



Social Darwinism

- Economic life was controlled by the natural law of competition
- Coincided with the ideas of Adam Smith
- Liked the free market but sought to eliminate competition
- Rockefeller and Carnegie used it to justify their wealth



Business Leaders and Social Darwinism

- Myth of the self-made man
- Social Darwinism: Application of Charles Darwin's theories to society
 - Popularized in the late 19th century
 - Fittest individuals will survive in the marketplace
 - The rich vs. the poor
 - Over time society benefits from the talented



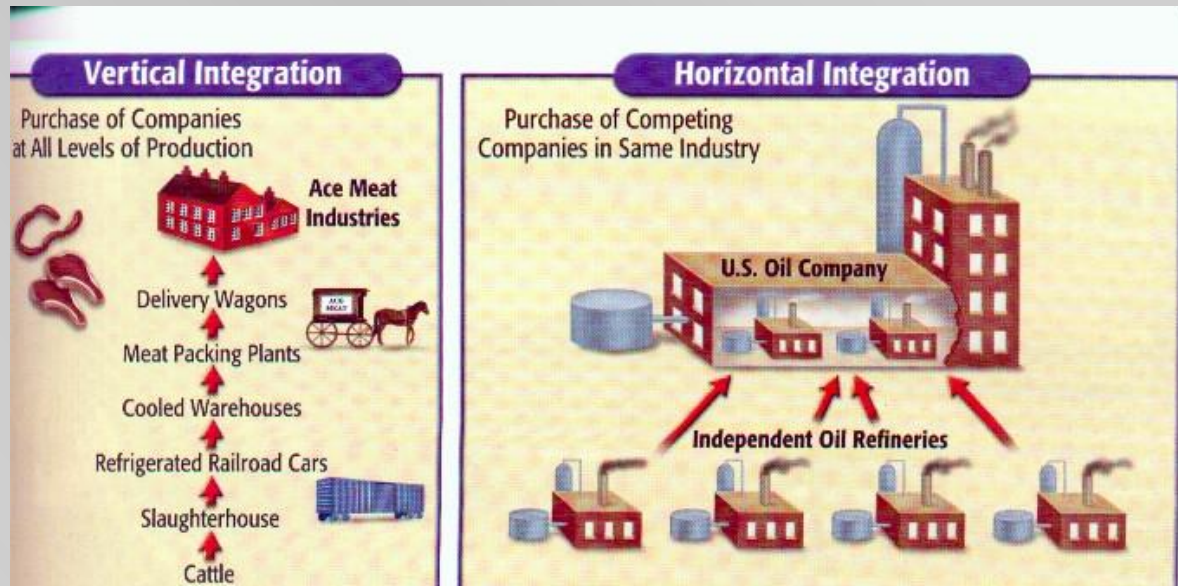
Social Darwinism and its supporters

- Herbert Spencer
 - Created the theory of Social Darwinism
- William Graham Sumner: Professor at Yale University
 - Promoted Social Darwinism through his lectures, articles and books--Folkways (1906)

individuals should have the freedom to struggle
struggle for survival should not be controlled by
the government

Business Leaders and the Development of the Corporation

- Chartered by the state government
- Began with the railroads
- Investors buy stock--limited liability
- Led to consolidation
 - Horizontal—Rockefeller
 - Vertical—Swift and Carnegie
 - Conglomerate—J.P. Morgan



Business Leaders cont.'

- Often referred to as Robber Barons
- Conspicuous consumption
 - wealthy owned homes that were lavish and elaborate
 - Vanderbilt family owned several homes in NYC and Newport R.I.



Old money vs. new
money

Rockefeller and oil

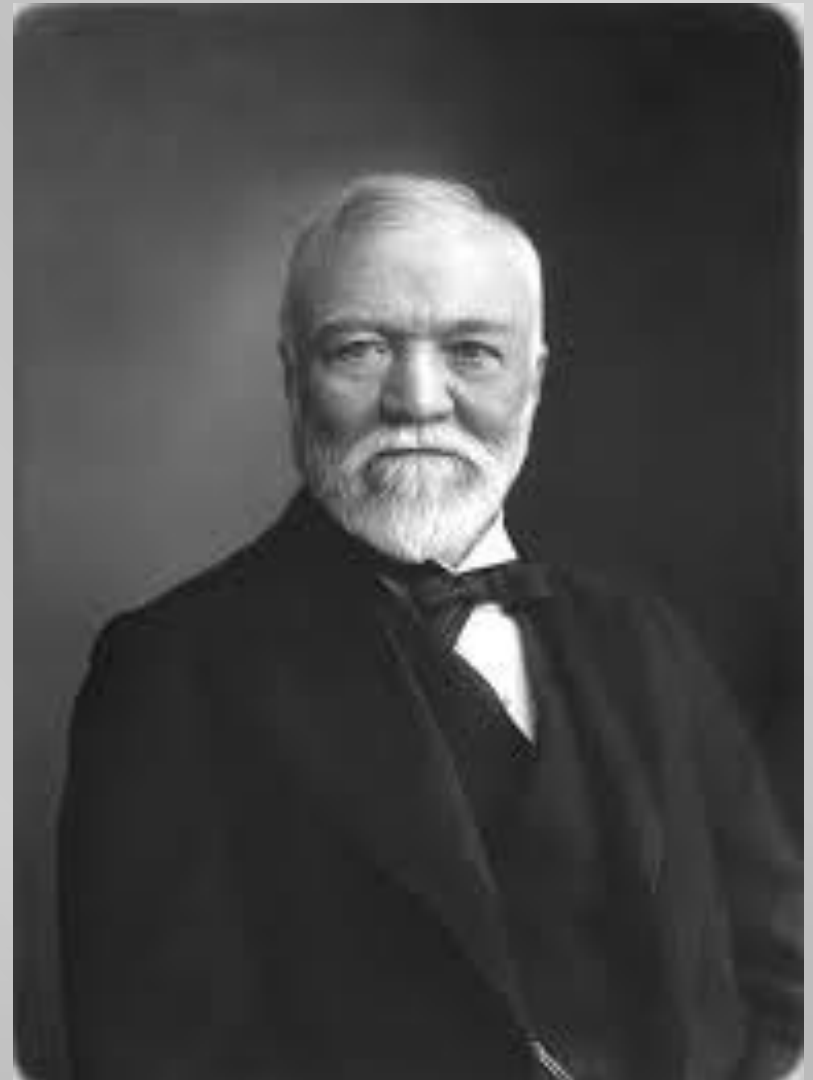
- Consolidated oil by 1879
 - 1882 formed Standard Oil Trust
 - 40 companies that controlled every phase of oil refining
 - trust—monopoly



Andrew Carnegie and Steel

- Scottish immigrant
- Worked in railroads and eventually opened steelworks in 1873
- Wrote The Gospel of Wealth (1901)
 - The wealthy have both power and responsibility
 - They must advance society

Philanthropy





Effects of Industrialization

- Benefits
- Concentration and disparity of wealth
- Plutocracy—Corporations used the constitution to their advantage
 - Avoid state regulations by claiming Congressional rule over interstate commerce
 - Claim protection of the 14th amendment



Effects of Industrialization cont.

- Impersonalization of the Employer
 - Taylor's scientific management:
 - Managing human labor efficiently and effectively
 - Punch clocks
 - Standardized time
- Poor working conditions
 - low wages
 - health and safety standards
 - hours



Effects of Industrialization cont.'

- Growth of cities
 - people flocked to cities to find jobs
 - problems arose
- End of skilled craftsmen
- Erratic economy

Working Conditions

- Problem of unemployment
- The work week
 - Typically from 60 to 80 hours
 - In some places 7 day work weeks were common

Homestead: 12 hour days 6 days a week—shift change on the 40th day

- Company towns
- Fast machines meant people had to keep up with the machines





Working Conditions

- Machines threatened unions
 - Could do more of the skilled work
 - Trade workers saw themselves as middle not working class
 - Ultimately they are all in the same boat
- Dangers on the job (1880-1890)
 - 35,000 die due to dangerous conditions
 - 536,000 injured
 - disease

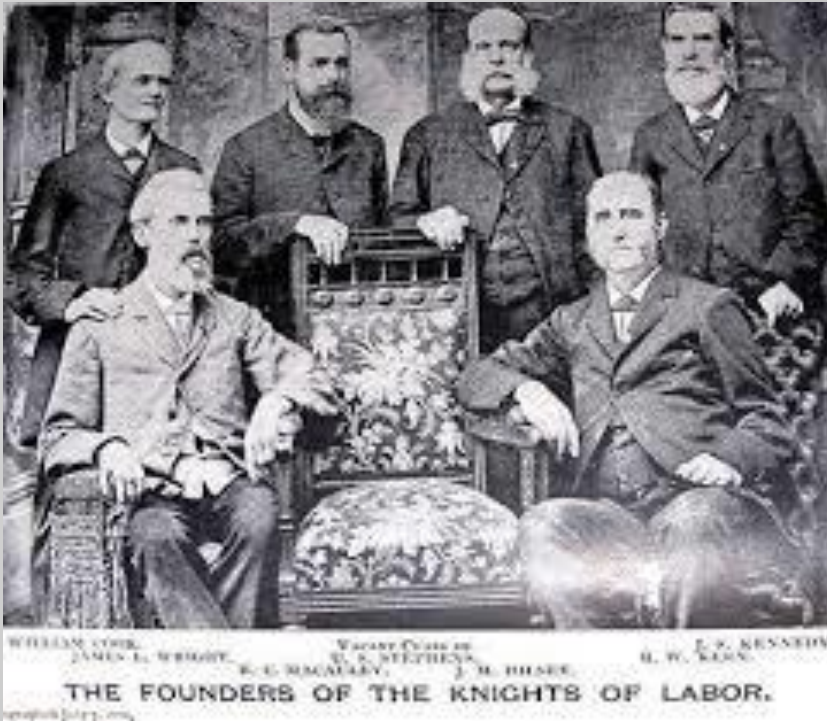
Unions and Strikes

- By the 1870s some workers had begun to strike
- 1877 Railroad strike
 - Begins on the B & O railroads over wage cuts
 - Moves from the local level to the national level
 - government sided with business and Hayes attempted to break up the strike
- Wage cuts were stopped
- Taught workers that they needed a national union if they wanted change



Knights of Labor

- Organized in 1869 by Terrence Powderly
- Unite all workers (except liquor dealers, lawyers, gamblers and bankers) in one union.
- Even allowed women after 1881
- Equal pay for equal work
- No child labor under 14
- Against strikes and violence
- Had some success in 1885--increased membership
- Considered radical





Membership declines--1895

- Unsuccessful strikes
- Admission of unskilled workers
 - harder to protect-easier to replace
 - skilled workers unwilling to strike for them
- Haymarket massacre: May 4, 1886
 - bomb thrown at a meeting to protest the brutalities against strikers
 - kills police--Knights blamed
- Yellow Dog contracts



Major Labor Activity

- Workers seek a larger share of the wealth
- Homestead Strike 1892
 - Carnegie had once supported workers rights but had changed his mind
 - Technology begins to replace workers
 - Union no longer honored
 - Pinkertons brought in



American Federation of Labor

- Leader: Samuel Gompers--1881
- Mostly skilled workers--different craft unions
- No women or unskilled labor
- Major issues included higher wages, improved working conditions
- Advocated collective bargaining



Farmer's Organization

The Grange

- Granger Laws: (1870s) fix rail rates at the state level
 - Munn v. Illinois upheld the laws as railroads were public utilities
 - In 1886 Wabash vs. Illinois says the railroads were engaged in interstate commerce and were not subject to state law
- Interstate Commerce Commission (compromise)
 - 1887: established uniform rates
 - forbade agreements to limit competition
 - Cleveland put pro-railroad people on the commission

Farmer's Organization

The Grange

- Objectives:
 - enrich the social lives of family farms
 - restore free enterprise to the railroads
- Cooperatives: established to eliminate the profits of the middlemen
 - Owned and operated by the farmers
 - packed sold and shipped crops
 - profits were distributed to the farmers

