

Chapter 17: Industrial America: Corporations and Conflicts, 1877-1911

I. Business Gets Bigger

A. The Rise of the Corporation

1. The United States became an industrial power largely by tapping the vast natural resources of North America, including minerals, lumber, and other raw materials in the West. This transition had great environmental significance.
2. As steam and electricity became the chief energy workhorses, industries that had once depended on waterpower began to use prodigious amounts of coal. Kerosene replaced whale oil and wood to produce light and heat.
3. By 1900, America's factories and urban homes were converting to electric power. Power produced from coal and oil had largely replaced the labor of water, animals, and people.
4. Cattle-buyer Gustavus Swift pioneered the creation of a new kind of enterprise – a **vertically integrated** firm capable of handling within its own structure all the functions of an industry – from central processing to distribution. He also utilized **predatory pricing** to absorb his competitors and gain greater market control.
5. Others shared Swift's insight that the essential step was to identify a mass market and then develop a national enterprise capable of serving it. John D. Rockefeller's Standard Oil Company pioneered the concept of **horizontal integration** to create a national distribution system for oil.
6. In 1882, Rockefeller's lawyers created a new legal form, the **trust**, enabling Rockefeller to manage a number of different firms as a single entity.
7. Trusts helped corporations increasingly concentrate ownership of business. By 1900, America's largest one hundred companies controlled one-third of the nation's productive capacity.
8. B. A National Consumer Culture
9. The retail business went through comparable changes. Montgomery Ward and Sears, Roebuck developed into national mail order houses for rural consumers, John Wanamaker pioneered the department store, and chain stores such as A&P and Woolworth's were created.
10. In the late nineteenth century, modern advertising appeared as big businesses set about the task of creating a national demand for their brand names. By 1900, companies spent over \$90 million a year on advertising space in newspapers and magazines, making the press into a mass-market industry.
11. Millions of Americans, however, could not afford the luxuries advertised in magazines because of the series of economic recessions that plagued the nation during the late nineteenth century.

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C. The Corporate Workplace

1. Before the Civil War, most American boys had hoped to become farmers, small businessmen, or independent craft workers. Afterward, Americans gradually became accustomed to working for someone else. This change affected not only wage earners but also managers, salesmen, and engineers.
2. Because they wore white shirts with starched collars, such professionals became known as **white-collar workers**, a term that differentiated them from **blue-collar workers** on the shop floor. The shift had profound and wide-ranging consequences.
3. Between the 1850s and the 1870s, railroad companies blazed the trail in inventing complex new systems of business control.
4. With few exceptions, the large vertically integrated firms of the post-Civil War years drew on the railroad model. The headquarters of major corporations began to house executives and an array of departments handling specific activities such as purchasing, accounting, and auditing. These departments were supervised

- by “middle managers,” something not seen before in American industry.
5. Beneath the ranks of managers, another class of employees emerged: female office workers.
 6. Before the Civil War, most clerks at small firms had been young men, just starting out, who expected to rise through the ranks.
 7. In a large corporation, secretarial work became a dead-end job, and employers began to assign it to women. By the turn of the century, 77 percent of all stenographers and typists were female; by 1920, women held half of all low-level office jobs.
 8. For white working-class women, clerking and office work represented new opportunities. In an era before daycare, married women most often worked at home, where they could tend children while also taking in laundry, boarders, or **piecework** (sewing projects that were paid on a per-item basis).
 9. About a third of women worked in domestic service, another third in industry, and the rest in office work, teaching, nursing, and sales.
 10. As new opportunities arose, the percentage of wage-earning women who worked in domestic service dropped dramatically, a trend that continued in the twentieth century.

D. On the Shop Floor

1. Despite the managerial revolution at the top, skilled craft workers – almost all of them men – retained considerable autonomy in many industries.
2. As technology advanced, however, workers increasingly lost the proud independence characteristic of craft work. The most important cause of this was the de-skilling of labor, under a new system of mechanized manufacturing that Henry Ford would soon call **mass production**.
3. By the early twentieth century, managers came to believe that they could further reduce costs by getting employees to work harder and more efficiently. The pioneer in this field was Frederick W. Taylor, an expert on metal-cutting methods who dubbed his strategy **scientific management**.
4. In its most extreme form, scientific management called for engineers to time each task with a stopwatch; companies would then pay workers more if they met the stopwatch standard. Taylor assumed that only money mattered to workers and that they would respond automatically to the lure of higher earnings.
5. As production was de-skilled, the ranks of factory workers came to include more and more women and children, who were almost always unskilled and paid lower wages.
6. Women’s presence was often resented by men. By the early twentieth century, male labor unions also became outspoken leaders in the fight against child labor. In 1900, one of every five children under the age of sixteen worked outside the home.
7. Also at the bottom of the pay scale were most African American workers. Because of racial discrimination, they were turned away from most corporate and industrial jobs. Such discrimination was hardly limited to the South.
8. African American women who moved to northern cities found that there, also, they were largely excluded from office work and other new employment options; instead, they remained heavily concentrated in domestic service, with over half employed in that field in the late nineteenth century.
9. African American men confronted the same exclusion. America’s booming, vertically integrated corporations turned away black men from all but the most menial jobs; in 1890, almost a third of African American men worked in personal service.
10. Employers in the North and West recruited, instead, a different kind of low-wage labor: immigrants.

II. Immigrants, East and West

A. Newcomers from Europe

1. Between the Civil War and World War I, 25 million immigrants entered the United States. They began to make the American working class truly global: it now included not only people of African and Western European descent, but also Southern and Eastern Europeans, Mexicans, and Asians. In 1900, census-takers found that over 75 percent of all residents of San Francisco and New York City had at least one parent who was foreign-born.
2. For the new industrial order, immigrants made an ideal labor supply. They took the worst jobs at low pay; during economic downturns, many left the labor market and returned to their home countries, reducing the shock of unemployment within the United States.
3. Mass migration from Western Europe had started in the 1840s, when over 1 million Irish fled a terrible famine.

4. In the following decades, as European populations grew rapidly and agriculture became commercialized, peasant economies suffered, first in Germany and Scandinavia, and then across Austria-Hungary, Russia, Italy, and the Balkans. This upheaval displaced millions of rural people.
5. Along with Italians and Greeks, Eastern European Jews were among the most numerous arrivals. The first American Jews, who numbered around 50,000 in 1880, were mostly of German-Jewish descent; they had prospered in the United States.
6. In the next four decades, over 3 million poverty-stricken Jews arrived from Russia, the Ukraine, Poland, and other parts of Eastern Europe, transforming the Jewish presence in the United States.

B. Asian Americans and Exclusion

1. Americans were not as lenient toward newcomers from Asia.
2. The first Chinese immigrants had arrived in the United States in the 1840s, during the California Gold Rush.
3. After the Civil War, the Burlingame Treaty between the United States and China opened the way for increasing numbers to emigrate. Fleeing poverty and upheaval in southern China, they, like European immigrants, filled low-wage niches in the American labor market.
4. Facing intense political pressure, lawmakers shut out Chinese immigrants. In 1882, Congress passed the Chinese Exclusion Act, which specifically barred Chinese laborers from entering the United States.
5. Nonetheless, well into the twentieth century, Chinese immigrants (as opposed to native-born Chinese Americans) could not apply for citizenship.
6. Other would-be immigrants, known as “paper sons,” relied on Chinese residents in the United States, who generated documents falsely claiming the newcomers as children.
7. By the turn of the century, Korean and Japanese immigrants also began to arrive; 8,000 Koreans came by 1920, and by 1909, 40,000 Japanese worked in agriculture, 10,000 on railroads, and 4,000 in canneries.

III. Labor Gets Organized

A. The Emergence of a Labor Movement

1. Labor advocates could adopt one of two strategies. First, they could seek to build broad political alliances, reaching out to rural voters who shared their problems or were sympathetic to their cause. Second, they could reject politics and create more narrowly focused **trade unions** that negotiated directly with employers.
2. In general, labor advocates emphasized the first strategy between the 1870s and the early 1890s, and the latter in the early twentieth century. Across this era, while industrialization made America an increasingly rich and powerful nation, it also brought large-scale conflict between labor and capital.
3. The problem of industrial labor entered Americans’ consciousness dramatically with the Great Railroad Strike of 1877. Protesting steep wage cuts during the depression, thousands of railroad workers walked off the job.
4. For their role in the strike, many railroad workers were fired and **blacklisted**: railroad companies circulated their names on a “do not hire” list to prevent them from getting any work in the industry.
5. In the post-Civil War decades, many rural people saw themselves as sharing the same enemies as industrial workers.
6. Agrarians, or farmers’ advocates, argued that high tariffs forced rural families to pay more for basic necessities while failing to protect America’s great export crops, cotton and wheat.
7. The most prominent agrarian protest group of the early postwar decades was the National Grange of the Patrons of Husbandry, founded in 1867. Like workingmen, Grange farmers sought to counter the new power of corporate middlemen through cooperation and mutual aid.
8. In the wake of the 1870s depression, Grangers, labor advocates, and local workingmen’s parties forged a national political movement: the Greenback-Labor Party.
9. Overall, Greenbackers subscribed to the ideal of **producerism**. They dismissed middlemen, bankers, lawyers, and investors as idlers who lived off the sweat of those who labored with their hands. Believing that these “producers” shared common goals, they sought to unite them as a political force.
10. In 1878, Greenback-Labor candidates won over a million votes, and the party elected fifteen congressmen.
11. By the early 1880s, twenty-nine states had created railroad commissions to supervise railroad rates and policies; others formed commissions to regulate insurance and utility companies.
12. By 1890, twenty-one states had antitrust laws to prevent monopolies. These early regulatory efforts were not always effective, but they were important starting points for reform.

B. The Knights of Labor

1. The Knights of Labor was founded in 1869 as a secret society of garment workers in Philadelphia and by 1878 had emerged as a national movement.
2. The Knights had originally intended to set up a cooperative commonwealth of factories owned and run by the employees; led by Terence V. Powderly, they also advocated temperance.
3. In the early 1880s, the Knights began to act more like trade unions; as the Knights won more strikes, its membership rapidly increased.
4. The Knights favored an eight-hour workday because workers had duties to perform as American citizens, and unionists favored it because it spread the work among more people, providing more jobs and protecting them from overwork.
5. As the union deadline for achieving the eight-hour day approached, workers responded with a wave of strikes and demonstrations, the most infamous being the Haymarket Square incident, which was blamed on anarchists who advocated a stateless society. Chicago was a hotbed of **anarchism**. Four of the anarchists were executed, one committed suicide, and the others received long prison sentences.
6. Seizing on the antiunion hysteria set off by the Haymarket affair, employers broke strikes violently, compiled blacklists, and forced some workers to sign “yellow-dog contracts” that renounced union membership.

C. Farmers and Workers: The Cooperative Alliance

1. Despite the Haymarket uprising, the Knights’ cooperative vision did not entirely fade. A new rural movement, the Farmers’ Alliance, arose to take up some of the issues that Grangers and Greenbackers had earlier sought to address.
2. Founded in Texas during the depression of the 1870s, the Alliance spread across the Plains and South, becoming by the late 1880s the largest farmer-based movement in American history.
3. Alliance leaders pinned their initial hopes on **cooperative** stores and exchanges that would circumvent middlemen. Cooperatives gathered farmers’ orders and bought in bulk at wholesale prices, passing the savings on to farmers.
4. Alliance cooperatives suffered from chronic underfunding and lack of credit, and they also faced hostility from merchants and lenders they tried to circumvent.
5. When cotton prices fell further in 1891, however, the Texas Exchange failed. The Texas Alliance then proposed a subtreasury system, modeled on the national banking system. Under the subtreasury plan, the federal government would hold crops in public warehouses and issue loans on their value until they could be profitably sold.
6. Expanding on the earlier work of the Grange, and carrying it into the South and West, the Farmers’ Alliance cooperated with the Knights of Labor, using rural reformers’ substantial political clout on behalf of urban workers who shared their political vision.
7. In 1887, Congress sent President Grover Cleveland two groundbreaking bills that he signed into law. The Hatch Act provided federal funding for agricultural research and education, directly meeting farmers’ demands for government support of agriculture.
8. The landmark Interstate Commerce Act was also a direct response to pressure from farmer-labor constituents.
9. The ICC represented a compromise between farmer-labor advocates and other reformers who were more sympathetic to business.
10. The Interstate Commerce Commission faced formidable challenges. Though the new law forbade railroads from reaching secret rate-setting agreements, evidence was very difficult to gather; secret “pooling” continued. At the same time, the Supreme Court eroded the commission’s powers.

D. Another Path: The American Federation of Labor

1. While the Knights of Labor got involved in politics, some skilled workers pursued a different strategy. In the 1870s, printers, molders, ironworkers, bricklayers, and about thirty other groups of skilled workers organized trade unions nationwide. These “brotherhoods” focused in more narrow and specific ways on the everyday needs of workers in skilled occupations.
2. Trade unions sought a **closed shop** – with all jobs reserved for union members – that kept out lower-wage workers. Union rules specified the terms of work, sometimes in minute detail.
3. For a while, in the 1880s, many trade unionists joined the Knights of Labor coalition. But the catastrophe of Haymarket persuaded them to leave the order and create the separate American Federation of Labor (AFL).
4. Samuel Gompers led the ideological assault on the Knights, and he hammered out the philosophical position known as pure and simple unionism, which focused on concrete, achievable gains and organizing workers by

craft and occupation.

5. Gompers led the new AFL until 1924, becoming a towering figure in the labor movement.
6. On one level, pure-and-simple unionism worked. The AFL was small at first, but between 1897 and 1904, its membership rose from 447,000 to over 2 million. In the early twentieth century, it became the nation's leading voice for workers, lasting far longer than movements like the Knights of Labor.
7. The AFL was far less welcoming to women and blacks, and it was limited mostly to skilled craftsmen. There was little room in the AFL for department-store clerks and other service workers, much less the farm workers and domestic servants whom the Knights of Labor had organized.
8. Despite the AFL's great success among skilled craftsmen, the narrowness of its base was a flaw that would later come back to haunt the labor movement.