

Industrial America: Corporations and Conflicts

1877–1911

CHAPTER OUTLINE

The following annotated chapter outline will help you review the major topics covered in this chapter.

I. The Rise of Big Business

A. Innovators in Enterprise

1. Production and Sales

- a. As industrialization lowered prices through large-scale manufacturing, producers developed new technological and business efficiencies that allowed them to still make a profit.
- b. Railroad companies initiated the management revolution that created a managerial hierarchy of responsibilities, departmentalized operations by function, and improved accounting.
- c. 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.

- d. As steam and electricity became the chief energy workhorses, industries that had once depended on water power began to use prodigious amounts of coal. Kerosene replaced whale oil and wood to produce light and heat.
 - e. By 1900, America's factories and urban homes were converting to electric power. This transition had great economic and environmental significance.
 - f. Cattle dealer Gustavus Swift pioneered the assembly line to improve productivity and created 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.
 - g. He also utilized predatory pricing to absorb his competitors and gain greater market control.
2. Standard Oil and the Rise of the Trusts
 - a. 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.
- b. John D. Rockefeller took advantage of whale-oil shortages during the Civil War and discovery of oil in Pennsylvania to develop his kerosene and refining business.
 - c. Rockefeller's Standard Oil of Ohio adopted vertical integration to control production and sales, but it also pioneered the concept of horizontal integration—merging smaller companies into a corporation—to create a national distribution system for oil.
 - d. 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.
 - e. Other companies soon followed, creating trusts in linseed oil, sugar, and salt production. By World War I, Singer, Ford, and General Electric had become world-known companies.
 - f. Despite growing resentment toward large corporations and their excessive power, America's largest one hundred companies controlled one-third of the nation's productive capacity by 1900.
3. Assessing the Industrialists
 - a. Industrialists such as Swift, Rockefeller, and Carnegie received much criticism, especially during economic downturns.
 - b. But during periods of prosperity, both the public and scholars have applauded their expert planning and management skills.
 - c. Incorporation has systematically transformed the American economy.
 4. A National Consumer Culture
 - a. Corporations also encouraged consumerism as improved products became cheaper, and railroads transported manufactured goods and fresh produce to the shelves of new national chain stores such as Woolworth and A&P.
 - b. John Wanamaker pioneered the department store, megastores that enticed shoppers through advertising and low prices.
 - c. Montgomery Ward and Sears built mail-order empires by offering ordinary people access to a wide array of goods with money-back guarantees.
 - d. 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, transforming the press into a mass-market industry.
- B. The Corporate Workplace
 1. Managers and Salesmen
 - a. 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. Because they wore white shirts with starched collars, 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.
 - b. The headquarters of major corporations began to house executives and an array of departments handling specific activities such as purchasing and accounting. These departments were supervised by middle managers, something not seen before in American industry.
 - c. Corporations also created new systems of selling their products. They established national distribution networks. Traveling salesmen, trained

- in the art of the “hard sell,” introduced merchants to new products, offered incentives, and suggested sales displays; Leading manufacturers distributed scripts proposing conversations with customers that would assure sales.
2. Women in the Corporate Office
 - a. Beneath the ranks of managers, another class of employees emerged: female office workers.
 - b. Before the Civil War, most clerks at small firms had been young men, just starting out, who expected to rise through the ranks. But in a large corporation, secretarial work became a dead-end job, and employers began to assign it to women. By the turn of the twentieth century, 77 percent of all stenographers and typists were female; by 1920, women held half of all low-level office jobs.
 - c. For white working-class women, clerking and office work represented new opportunities. In an era before day care, 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).
 - d. As new opportunities rose in industry, office work, teaching, nursing, and sales, fewer women worked as domestics, a trend that continued in the twentieth century.
 - C. 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. As independent contractors, they provided their own tools, worked at their own pace, and adhered to an informal system of limited output.
 2. Although manufacturers attempted to limit the power of skilled workers through subcontracting, they could not eliminate the enduring relationship between laborers.
 3. As technology advanced, however, workers increasingly lost the proud independence characteristic of craft work. The most important cause of this was the deskilling of labor under a new system of mechanized manufacturing that industrialists called mass production.
 4. By the early twentieth century, managers believed that they could further reduce costs and improve employee efficiency by implementing Frederick W. Taylor’s strategy of scientific management.
 5. 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.
 6. Industrialization and incorporation widened the gap between managers and the blue-collar workforce as well as contributed to sharper class distinctions: the wealthy elite; an emerging, self-defined middle class; and a struggling class of workers.
 7. Health Hazards and Pollution
 - a. Unregulated industrial labor was dangerous, yet despite high casualty rates in the railroad and mining industry, companies resisted demands for safety regulation.
 - b. Industrialization also contributed to air and water pollution as well as an increase in pulmonary diseases for not just workers but people living near mines and factories.
 8. Unskilled Labor and Discrimination
 - a. As production was deskilled, the ranks of factory workers came to include

more and more women and children, who were almost always unskilled and paid lower wages. Although most men resented the presence of the opposite sex, women defended their right to work.

- b. In 1900, one of every five children under the age of sixteen worked outside the home.
 - c. At the bottom of the pay scale were most African American workers who, because of racial discrimination, were turned away from most corporate and industrial jobs. African American women who moved to northern cities were largely excluded from office work and other new employment options; instead, they remained heavily concentrated in domestic service. African American men confronted the same exclusion and were turned away from all but the most menial jobs; in 1890, almost a third of African American men worked in personal service.
 - d. Employers in the North and West recruited, instead, a different kind of low-wage labor: immigrants.
3. Mass migration from Western Europe began in the 1840s, when over one million Irish fled a terrible famine. European population growth and commercialization of agriculture during the following decades resulted in the displacement of millions of rural people in Germany, Scandinavia, Austria-Hungary, Russia, Italy, and the Balkans.
 4. Intent on improving their lives, immigrants endured a grueling journey across the Atlantic and an intense inspection process at Ellis Island.
 5. Although some immigrants had mastered trades, the majority, especially poor farmers from Italy, Greece and Eastern Europe, had not and filled the increasing demand for unskilled workers.
 6. Most expected to work for only a few years, accumulate good savings, and return home.
 7. Along with Italians and Greeks, Eastern European Jews were among the most numerous arrivals; they sought economic opportunity but also escaped religious repression in Russia, the Ukraine, Poland, and other parts of Eastern Europe. They transformed the Jewish presence in the United States.
 8. Immigrants with an education, money, or business contacts usually prospered. Others endured harsh working conditions to improve the life of their children and grandchildren. A few experienced extreme poverty.

II. Immigrants, East and West

A. Newcomers from Europe

1. Between the Civil War and World War I, over 25 million immigrants entered the United States. They turned the American working class truly global: it now included people of African and Western European descent as well as Southern and Eastern Europeans, Mexicans, and Asians. By 1900, over 75 percent of all residents of San Francisco and New York City had at least one foreign-born parent.
2. For the new industrial order, immigrants made an ideal labor supply. They took the worst jobs at low pay; during economic downturns, many returned to their home countries, reducing the shock of unemployment within 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 late 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 during the 1870s. 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. By the turn of the century, Korean and Japanese immigrants also began to arrive; they worked in agriculture, on railroads, and in canneries but were denied citizenship as well.
 7. The Chinese Exclusion Act set precedent for future immigration limitations, but Asian migration never fully ceased. The Chinese became the nation's first illegal immigrants, as they entered the U.S. as stowaways on ships, travelers across the desert from Mexico, or paper sons with falsified documents.

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.
 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. The U.S. government created the National Guard to maintain order.
 5. Henry George, a radical thinker and author of *Progress and Poverty* (1879), argued that industrialization would benefit only the middle and upper classes but push the working class into permanent poverty.
 6. In the post-Civil War decades, many rural people saw themselves as sharing the same problems as industrial workers.
 7. 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.
 8. 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.
 9. In the wake of the 1870s depression, Grangers, labor advocates, and local workingmen's parties forged a national political movement: the Greenback-Labor Party.
 10. 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.

11. In 1878, Greenback-Labor candidates won over a million votes, and the party elected fifteen congressmen.
 12. 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. 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; although membership was open regardless of race, gender, or work, the Knights excluded Chinese immigrants.
 3. The Knights advocated electoral action and government regulation of corporations; they required negotiations between employers and works during strikes, and they made demands including workplace safety laws, end of child labor, federal tax on high incomes, public ownership of telegraphs and railroads, and workers' right to organize. The Knights also advocated personal responsibility and self-discipline such as temperance.
 4. Membership in the organization grew rapidly during the 1880s and included skilled workers, textile workers, domestic workers, and tenant farmers.
 5. Grassroots labor activism and successful strikes enhanced the Knights' reputation among workers and contributed to a membership of 750,000 in 1885.
 6. Events in Chicago, a hotbed of anarchism, brought an end to the Knights. A wave of strikes and demonstrations ended with the infamous Haymarket Square incident, which was blamed on anarchists who advocated a stateless society. Four of the anarchists were executed, one committed suicide, and the others received long prison sentences.
- C. Farmers and Workers: The Cooperative Alliance**
7. 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 Farmers' Alliance spread across the plains states and the 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 Alliance 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. The Farmers' Alliance cooperated with the Knights of Labor, seeking to use rural voters' substantial political clout on behalf

of urban workers who shared their political vision; they created a new political party, the Populists, and called for federal action.

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. The act created the Interstate Commerce Commission (ICC).
 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 undermined the commission's powers, siding with railroads in fifteen (out of sixteen) decisions over the next two decades.
- 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 other 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. Most importantly, trade unions asserted the right of workers to participate in the decision-making process in the workplace.
 3. In the early 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, who led the new AFL until 1924, hammered out the philosophical position known as pure-and-simple unionism, which focused on concrete, achievable gains through collective bargaining and organizing workers by craft and occupation.
 5. On one level, pure-and-simple unionism worked. The AFL was small at first, but by 1904, its membership had risen to over two 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.
 6. 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.
 7. 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.