Ch 6 sec 3

Big Biz Emerges p. 241

Businesses of all kinds grow to huge sizes driven by powerful men.

John D. Rockefeller – Standard Oil

Andrew Carnegie -- Steel

Cornelius Vanderbilt – shipping and railroads

Henry Ford – the automobile and assembly line

Andrew Carnegie

Scots immigrant came to US @ 13 1848

Worked his way up from messenger to manager of telegraph service to owner of a huge steel company in 1873 with his partner James Frick

Management techniques – the “scientific approach”, thinking though manufacturing to reach maximum efficiency – quality control, cost tracking, competition between workers for efficiency and production. Paid top level execs partly in stock to assure loyalty and commitment to his company and its success

He experiments with vertical integration – control all aspects of production from mining ore to delivering product – this means costs are predictable and controllable

Eventually moves toward horizontal integration – meaning he tries buying out competitors --- and controls 80% of the market in 1901

Monopoly – when one company controls most of the industry. They control price and supply, meaning they can keep prices high with no competition.

Social Darwinism and Business

Chas Darwin’s Origin of Species in 1859

Concept of survival of the fittest applied by economist Herbert Spencer to the workplace and business. Laissez faire economics would allow the strongest and best to rise to the top – government regulation would not be necessary, it was a natural law and government should not interfere

4000 millionaires agree! Riches = God’s favor so poor people are inferior, lazy and deserve their lot in life. Bootstraps! Cult of the individual – no shame in low birth if you are energetic, ambitious, morally upright and smart you can be rich too.

Fewer control more:

Businesses grow and consolidate – businesses buy competitors until monopoly is created and the market is controlled – sometimes accomplished through holding companies – Carnegie consolidates steel and sells to JP Morgan, Morgan owns US Steel this way, Rockefeller uses trusts to control the oil industry.

Eventually the “Robber Barons” are shamed into philanthropy and begin giving away money for the public good because their images were so bad with the public. The Johnston Flood, where the lake for an elite private hunting and fishing club bursts its dam and flood the town of Johnston below kills over 2000 people, spurs Andrew Carnegie into action to help the victims of this tragedy. Eventually his efforts include libraries and schools, and Carnegie Hall in NYC, with over 90% of his wealth going to support these efforts, still today. The other business giants begin to give back as well, and become as competitive with their philanthropy as they once were with their business dealings. For example, Rockefeller founds the University of Chicago, and gives over $500 million to find a cure for yellow fever.

Sherman Anti-trust Act 1890 – to try and stop monopolies. Poorly written so hard to enforce – some monopolies are dissolved and become several individual businesses – SCOTUS throws out seven of eight cases brought against the trust companies. The government stops trying to enforce the law and the consolidation of businesses continues.

The business boom of the North and East totally passes by the South. Still struggling to recover from the destruction of the Civil War – with little capital to invest, most of the South is agricultural, the area is without manufacturing and suffers from a lack of laborers, and the northern-owned railroad companies squeezed high prices for shipping goods. The south has no part of the boom in the North.

LABOR UNIONS EMERGE – p. 244

Unsafe working conditions were common in the factories and steel mills. People often worked 12 hours a day, six days a week. There are no vacations, sick leave, unemployment compensation, or support for workers injured on the job.

Injuries are common, factories are poorly ventilated, workers performed repetitive tasks, sometimes with dangerous or faulty equipment. In 1882 an average of 675 laborers were killed in work-related accidents each week. Wages are so low that most families needed all members to work to survive.

Between 1890 and 1910 women went from 4 mil to 8 mil in the work force

20% of boys, and 10% of girls under 15 held full time jobs – some as young as five.

Much work is done in sweatshops or workshops in homes, where piecework could be done – for as little as 27 cents a 14 hours day.

In 1899 women earned an average of $267 a year, men $498 – Andrew Carnegie earned $23 million in 1900, and paid no income tax.

Skilled laborers had small local unions since the late 1700s. But in the late 1800s small unions began to link up to form larger organizations.

The first of these, Knights of Labor “An injury to one is the concern of all” -- 8 hour work day, equal pay for equal work, striking as a last resort. Accepted all workers, race, gender or skill. At its height 700,000 workers.

Unions do make a difference – reduced workweeks, higher wages.

Some within the movement believe that skilled and unskilled laborers should be in separate unions, others felt there was more strength in sheer numbers.

**Samuel Gompers** forms one of the first “craft” unions, which included skilled workers from multiple trades in 1886. The **American Federation of Labor (AFL)** he formed focused on collective bargaining or negotiation between representatives of labor and management that resulted in written agreements about working hours, wages and conditions. Strikes, or organized work stoppages, were a tool to bring managers to the negotiating table. Between 1890 and 1915 wages for unionized industries rose from $17.50 to $24 a week, and the workweek went from 54.5 to 49 hours.

Eugene V. Debs felt that all workers should be included in the labor unions. His American Railway Union ARU grew to 150,000 skilled and unskilled workers by 1894. They didn’t score the victories of other unions but added to the momentum of the movement.

By 1905 the **IWW, Wobblies**, invite skilled and unskilled workers, believe in socialism as the way forward to a better world.

**Socialism** 🡪 government controls businesses and property, income is equally distributed to all….communism govt owns everything, all are equal. – the mitten story – Karl Marx

**Capitalism**🡪 private ownership of business and property – markets are controlled by supply and demand, government has no control – free market, laisse faire capitalism. Adam Smith and the Robber Barons

Strikes turn violent –

**1877 Baltimore & Ohio RR 1877** strike, stopped for a week, president sends troops to end the strike – Commerce clause, interstate commerce is the business of the Federal govt.

**Haymarket Affair – 5/4/1886**

3000 protesters gather to protest police brutality (striker killed and others wounded at the McCormick Harvester strike day before) hours of speeches, 10pm starts to rain, crowd is leaving, bomb is thrown into the police line – police open fire into the crowd, chaos ensues, 7 dead police and several workers.

3 speakers and five radicals were charged with inciting a riot. all convicted, four were hanged, one committed suicide in prison. Turns public opinion against labor.

**The Homestead Strike June 29 1892** – Frick decides that he needs more profit from the Homestead works, and so he will cut pay to achieve this. Workers walked out, Frick hired Pinkertons (private armed soldiers) so he could hire nonunion workers (scabs) as strikebreakers. A battle at Homestead between Pinkertons and strikers 3 Pinkertons and 9 workers are killed, but the workers force the Pinkertons out and close the plant until the Pennsylvania National Guard arrives on July 12 – workers continue to strike until November but in the end they give up. The union loses its support and steelworkers take 45 years to rebuild their association.

**Pullman Strike 1893 –** Panic of 1893 means Pullman has fewer customers for its product. Pullman lays of almost 50% of the workforce and cuts wages for the rest 25% to 50% without reducing rents. The strike in 1894 is ended when the president sends in troops. Most of the strikers are fired, and blacklisted, never to work in railroads again.

Women in labor –

Mary Harris Jones – Mother Jones – a leader for labor and organizer for the United Mine Workers out west. Jailed, facing death threats, she fought with the workers for improved wages and conditions. In 1903 she took 80 mill children, many of them wounded and disfigured from their work to the White House to visit Theodore Roosevelt, who then supported the passage of child labor laws.

Pauline Newman – at 16 years old became the organizers of the International Ladies Garment Worker’s Union. She’d started work at 8, and participated in the 1909 seamstress strike that won improvements for seamstresses.

Ladies at the Triangle Shirtwaist Factory in NYC, had tried to strike and organize but were not successful. March 25, 1911 a fire broke out on the 8th floor, and spread quickly through the 9th and 10th floors. Only one door was unlocked, and it was blocked by fire. 146 women died in the fire, many only in their teens.

A jury acquitted the owners of manslaughter, but the public sympathies were with the workers, and the labor movement became a powerful tool. By 1904 the AFL had 1,700,000 members, by WWI it was over 2,000,000 members.

Management does not give up -- the Sherman Anti-trust act is used against labor – interstate trade allows the state or feds to intervene, and laws are against unions. Workers view unions as useful and a powerful tools.