Chapter 6, Section 3: Big Business and Labor

The expansion of industry results in the growth of big business and prompts laborers to form unions to better their lives.

Opening Activity:

In a paragraph discuss what personal qualities you think a person would need to be a billionaire in today’s world.
Taking Notes

Event One

Event Two

Directions:
Fill-in the notable achievements and setbacks of the labor movement between 1876-1911.

Define the following terms:
Andrew Carnegie
Vertical and horizontal integration
Social Darwinism
John D. Rockefeller
Sherman Antitrust Act
Samuel Gompers
American Federation of Labor (AFL)
Eugene V. Debs
Industrial Workers of the World (IWW)
Mary Harris Jones
I. Carnegie’s Innovation

A. Carnegie Makes a Fortune

Andrew Carnegie one of first moguls to make own fortune—rags to riches.
B. New Business Strategies

- Carnegie searches for ways to make better products more cheaply.

- Hires talented staff; offers company stock; promotes competition.

- Uses **vertical integration**—buys out suppliers to control materials.

- Through **horizontal integration** merges with competing companies.

- Carnegie controls almost entire steel industry.
Horizontal Consolidation and Vertical Integration

**Horizontal Consolidation**
- Independent
- Steel
- Producers

**Vertical Integration**
- Resources: ore deposits, coal, and iron mines
- Transportation: shipping, railroads
- Steel Mills

Giant Steel Company
1. Production of raw materials (oil is pumped out of the ground)
2. Transportation of raw materials (crude oil moves to refineries)
3. Processing (refineries transform crude oil into kerosene, lubricating oil, and paraffin)
4. Transportation (finished products go to retail stores)
5. Sale to consumer

Steps in petroleum production/distribution
II. Social Darwinism and Business

A. Principles of Social Darwinism


-Social Darwinism, or social evolution, based on Darwin’s theory.

-Economists use Social Darwinism to justify doctrine of laissez faire (Fr. “allow to do”).
B. A New Definition of Success

-Idea of survival, success of the most capable appeals to wealthy or those wish to be.

-Notion of individual responsibility in line with Protestant ethic.

-See riches as sign of God’s favor; to stay in poverty must be lazy, inferior.
III. Fewer Control More

A. Growth and Consolidation

- Businesses try to control industry with mergers—buy out competitors.

- Buy all others to form monopolies—control production, wages, prices.

- Holding companies buy all the stock of other companies.

- John D. Rockefeller founds Standard Oil Company, forms trust:
  * Trustees run separate companies as if one.
Industrial Consolidation: Iron & Steel Firms

<table>
<thead>
<tr>
<th></th>
<th>1870</th>
<th>1900</th>
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<tbody>
<tr>
<td>No. of firms</td>
<td>808</td>
<td>669</td>
</tr>
<tr>
<td>No. of employees</td>
<td>78,000</td>
<td>272,000</td>
</tr>
<tr>
<td>Output (tons)</td>
<td>3,200,000</td>
<td>29,500,000</td>
</tr>
<tr>
<td>Capital invested</td>
<td>$121,000,000</td>
<td>$590,000,000</td>
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B. Rockefeller and the “Robber Barons”

-Rockefeller profits by paying low wages, underselling others—when controls market, raises prices.

-1870—3% of market; by 1880s controlled 90% of refineries and 25% of oil wells. Standard Oil in decline by normal market competition, before government intervention (under TR).

-Critics call industrialists “robber barons.”

-Industrialists also become philanthropists—Rockefeller—500 million, Carnegie donated 90% of his wealth.
% of Billionaires in 1900

- Railroads: 40%
- Finance: 22%
- Steel: 13%
- Real Estate: 9%
- Retailing: 4%
- Inherited: 4%
- Timber: 4%
- Other: 9%

Legend:
- Red: Timber
- Light Blue: Railroads
- Yellow: Inherited
- Green: Finance
- Pink: Retailing
- Purple: Steel
- Grey: Real Estate
- Orange: Other
HISTORY REPEATS ITSELF. — THE ROBBER BARONS OF THE MIDDLE AGES, AND THE ROBBER BARONS OF TO-DAY.
C. Sherman Antitrust Act

-Government thinks expanding corporations stifle free competition.

-**Sherman Antitrust Act** (1890): trust illegal if interferes with free trade—"trust" not defined.

-Monopoly is a company that reaps a economic benefit by restricting output and raising prices—No companies acted in this this way—output increased and prices fell with companies accused of being monopolies.

-Prosecuting companies difficult; government stops enforcing act.

-Real problem was high protective tariffs that made it possible for big business to rip off American consumers.

"Some would say that government is the biggest monopoly that ever has existed."
IV. Labor Unions Emerge

A. Long Hours and Danger

-Northern wages generally higher than Southern.

-Exploitation, unsafe conditions unite workers across regions.

-Most workers have 12 hour days, 6 days work weeks:

  *Perform repetitive, mind-dulling tasks.
  *No vacation, sick leave, injury compensation.

-To survive, families need all members to work, including children.

-Sweatshops, tenement workshops often only jobs for women, children—require few skills; pays lowest wages.
B. Early Labor Organizing

-National Labor Union—first large-scale national organization.

-1868, NLU gets Congress to give 8-hour day to civil servants.

-Local chapters reject blacks; Colored National Labor Union forms.

-NLU focus on linking existing local unions.

-Noble Order of the Knights of Labor open to women, blacks, unskilled.

-Knights support 8-hour day, equal pay, advocated arbitration instead of strikes.
LEADERS OF THE KNIGHTS OF LABOR
V. Union Movements Diverge

A. Craft Unionism

-Craft unions include skilled workers from one or more trades.

-Samuel Gompers helps found American Federation of Labor (AFL).

-AFL uses collective bargaining for better wages, hours, conditions.

-AFL strikes successfully, wins higher pay, shorter work week.
HUMAN NATURE, AS DESCRIBED BY SAMUEL GOMPERS, OF THE AMERICAN FEDERATION OF LABOR.
B. Industrial Unionism

-Industrial unions including skilled, unskilled workers in an industry.

-Eugene V. Debs forms American Railway Union; uses strikes.
C. Socialism and the IWW

-Labor activism turned to socialism:

* Government control of business, property.

* Equal distribution of wealth.

- **Industrial Workers of the World** (IWW), Or Wobblies, forms 1905.

- Organized by radical unionists, socialists; include African Americans.

- Industrial unions give unskilled workers solidarity.
INDUSTRIAL UNIONISM

ABOLITION
OF THE
WAGE SYSTEM

JOIN THE I.W.W.
FOR FREEDOM
FROM WAGE-SLAVERY
VI. Strikes Turn Violent

A. The Great Strike of 1877

-Baltimore & Ohio (B&O) Railroad strike spreads to other lines over cut in pay.

-Governors say impeding interstate commerce; President Rutherford B. Hayes sends in federal troops intervene—ends strike.
B. The Haymarket Affair

-3,000 gather at Chicago’s Haymarket Square, protest police brutality.

-Police show up—starts to rain and the crowd began to disperse—in the chaos someone threw a bomb in the police lines—police return fire—8 charged with inciting a riot, convicted and hanged.

-Public opinion turns against labor movement.
C. The Homestead Strike

- 1892, Carnegie Steel workers strike over pay cuts.

- Win battle against Pinkerton Detective Agency protecting scabs—strike breakers; National guard called in reopens plant.

- Steelworkers do not remobilize for 45 years.
D. The Pullman Company Strike

- Pullman lays off 3,000, cuts wages but not rents; workers strike.

- Pullman refuses arbitration; violence ensues after the hiring of scabs; President Grover Cleveland sent in federal troops.

- Debs jailed, most workers fired, many blacklisted.
E. Women Organize

-Women barred from many unions; unite behind powerful leaders.

-Mary Harris Jones—most prominent organizer in women’s labor:

  *Works for United Mine Workers.

  *Leads children’s march.

-Pauline Newman—organizer for International Ladies’ Garment Workers.

-1911 Triangle Shirtwaist factory results in public outrage—146 women died.
The bodies of seamstresses, who jumped from the factory floors of the Triangle Shirtwaist Company to avoid being burned alive, lie outside the building.
F. Management and Government Pressure Unions

-Employers forbid unions; turn Sherman Antitrust Act against labor.

-Legal limitation cripple unions, but membership rises.
CAUSES

- Nation has wealth of natural resources
- Explosion of inventions improve business and manufacturing efficiency
- Growing urban population provides workers and markets
- Railroads establish new markets

Industrial Growth

EFFECTS

- Big business emerges
- Business consolidates under monopolies and trusts
- Workers endure harsh conditions
- Labor unions develop
Review Questions

1. Andrew ____________ gained control of a large percentage of the steel industry by buying out his suppliers, buying out his competitors, and underselling his competitors.

2. The ______________ Antitrust Act made illegal the formation of trusts that interfered with free trade.

3. In the late 1800s, ________________ was a technique used to win workers rights.

4. Work in ________________ at the end of the 19th century was difficult, dangerous, and low paying.

5. Some factories preferred to hire ____________ over men because they earned lower wages than men.

6. ________________ labor existed in the 19th century because families depended on children’s income.

7. When a company has complete control over an industry, it has created a ________________.

Words:

- monopoly
- child
- factories
- Sherman
- collective bargaining
- women
- Carnegie
8. When a company controls all the steps of production—from getting the raw materials to selling the finished product—that company is practicing ___________ integration.

9. John D. Rockefeller was called a ______________ because he used ruthless business tactics to enrich himself.

10. Most Americans and recent ______________ worked so hard despite low wages and long hours because they believed hard work would have its rewards if not now then for their children.

11. A business that had plans to create a ______________ would try to eliminate any business that is saw as competition.

12. During the late 1800s, __________ were unpopular with members of the union because they were workers used to break strikes.

13. “Government should not ___________ with the success or failure of business.” This is what a supporter of Social Darwinism might say.

14. ______________ discouraged government regulation.

Words:
- Social Darwinism
- scabs
- interfere
- immigrants
- vertical
- monopoly
- robber baron