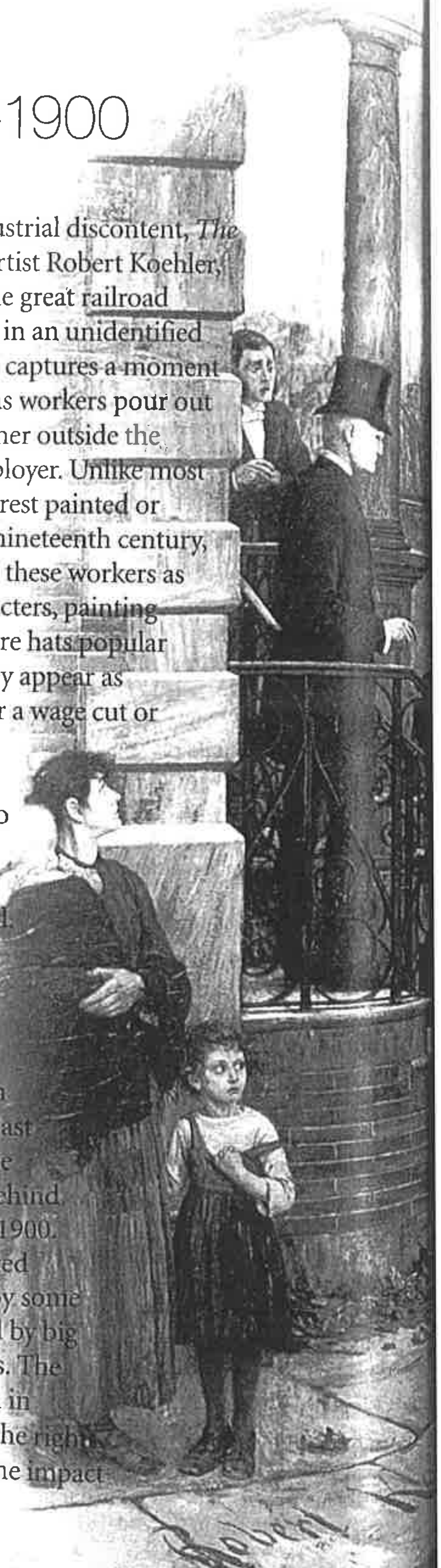
CHAPTER 16

Wonder and Woe

The Rise of Industrial America, 1865–1900

> "This association of poverty with progress is the great enigma of our times.... It is the riddle which the Sphinx of Fate puts to our civilization, and which not to answer is to be destroyed."
>
> HENRY GEORGE, *Progress and Poverty*, 1879



This scene of industrial discontent, *The Strike* (1886) by artist Robert Koehler, was inspired by the great railroad strike of 1877. Set in an unidentified industrial town, it captures a moment of confrontation as workers pour out of a factory to gather outside the office of their employer. Unlike most scenes of labor unrest painted or drawn in the late nineteenth century, Koehler presented these workers as sympathetic characters, painting each as an individual rather than as nondescript members of a mob. Many wear square hats popular among various skilled trades, suggesting that these are more established workers. They appear as hardworking and hard-pressed men voicing their anger to the employer, perhaps over a wage cut or a round of layoffs, through the spokesman at the bottom of the stairs.

Yet the painting is fraught with tension and an atmosphere suggestive of impending violence. Notice, for example, the worker in the foreground stooping to pick up a rock. Maybe he is doing this merely as a dramatic show of anger, but perhaps he fully intends to throw it. Note also the scene to his left where a woman tries to calm down another angry worker. Again, it is not clear that she will succeed. And what about the employer? He appears to be listening patiently to the workers' representative, but whether he will accede to their demands is unclear (his stiff, emotionless bearing suggests he will not).

The uncertainty in the painting over both what is about to happen and which side—workers or employer—is in the right illuminates a central theme in American society as it experienced rapid industrialization in the late nineteenth century. The last third of the nineteenth century saw the United States thoroughly transformed by the Industrial Revolution, from a predominantly agricultural nation that ranked well behind England, Germany, and France to the world's most formidable industrial power by 1900.

While many Americans celebrated the Industrial Revolution for the unprecedented material wealth and progress it brought to American society, others grew disturbed by some of the grim consequences of industrialization, especially the immense power accrued by big businesses and capitalists and the growing number of workers living in squalid slums. The result of these conflicting visions was an intense debate—much of it vividly captured in Koehler's painting—over the proper role of government in regulating the economy, the rights of workers to form unions and strike for better wages and working conditions, and the impact of growing disparities of wealth on America's republican traditions.

What aspects of industrialization worried Americans in the late nineteenth century?

The Emergence of Big Business

America's huge supplies of key raw materials, its rapidly growing urban workforce, and its tradition of imposing few restraints on business enabled the explosion of industrialization after the Civil War. The railroads quickly emerged as the first big business, followed by steel and petroleum. All three industries pioneered in establishing modern business practices, but they also drew increasing criticism as Americans worried about their extraordinary power.

Sources of the Industrial Revolution

Compared to most of Western Europe, the United States was a relative latecomer to the Industrial Revolution, which made its rise to industrial supremacy by 1900 even more astonishing. Every statistical comparison between 1860 and 1900, from factory production to railroad mileage, told the same story of phenomenal growth that saw the Gross National Product rise 171 percent (**16.1**).

Several crucial factors combined to allow the United States to surpass all other industrialized countries by 1900. First, the nation possessed enormous quantities of two essential ingredients for rapid industrialization: raw materials and cheap labor. Vast deposits of bituminous coal in Pennsylvania and Kentucky, for example, provided a seemingly inexhaustible supply of inexpensive fuel to fire steam locomotives and factory machinery. Other plentiful resources included iron, lead, copper, silver, and gold, as well as wood, cotton, and oil. Cheap labor came from two sources. Record levels of immigration (see Chapter 17) in the late-nineteenth century pushed the number of foreign-born to one in five American workers (two in five in manufacturing and mining) by 1910. Likewise millions of American-born workers moved from rural settings to manufacturing centers in search of new opportunities. Women and children, both immigrant and native-born, also entered the workforce in growing numbers.

The incessant development and widespread

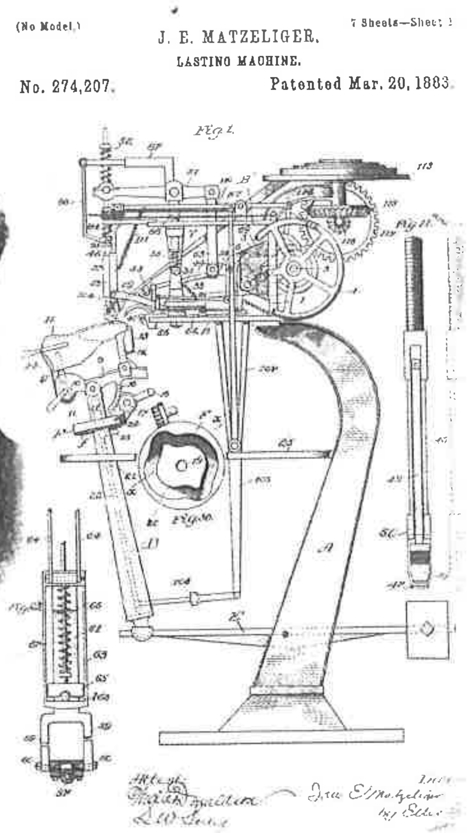
16.1 The Industrial Revolution by the Numbers
During the second half of the nineteenth century, every area of the economy produced enormous increases in output and value. Huge population increases helped to drive industrial and farm output.

	1860	1900	% Increase
Population	31,450,000	76,212,000	142.3
Farms	2,044,000	5,737,000	180.7
Value of Farms	$6.64 billion	$16.60 billion	150.0
Factories	140,500	510,000	263.0
Value Factory Production	$1.9 billion	$13 billion	584.0
Industrial Workers	1.3 million	5.1 million	292.3
Patents Issued	4,589	95,573	1982.7
Coal	20 million tons	270 million tons	1250
Lumber	10 billion board ft.	40 billion board ft.	300
Cotton	3.8 million bales	10.1 million bales	165.8
Oil	500,000 barrels	45,824,000 barrels	9064.8
Railroads	30,000 track miles	193,000 track miles	543.3
Steel	13,000 tons	10,382,000 tons	79,761.5
Gross National Product	$7 billion	$19 billion	171.4

What role did human migration play in fostering American industrialization?

adoption of new technology, a reflection of what many called the inventive spirit of the age, also furthered industrialization in the United States. Inventors flooded the U.S. Patent Office with applications, raising the number from an average of 1,000 per year in the 1850s to 20,000 per year in the 1890s.

Some notable inventors, such as George Eastman (Kodak camera), William S. Burroughs (adding machine), Isaac Singer (sewing machine), Alexander Graham Bell (telephone), and Thomas Edison (incandescent light bulb, phonograph, motion picture camera, mimeograph machine, and more) went on to become business giants. Less well known were the many women, immigrant, and African American inventors who filed thousands of patents in this period. For example, Jan Matzeliger, an immigrant of African and Dutch heritage from South America, invented a machine that simplified the most difficult and time-consuming step in the making of shoes (**16.2**). While much of shoemaking had become mechanized by the 1880s, the difficult "lasting" process—attaching the upper portion of a shoe to the sole—could only be done by hand. Matzeliger's lasting machine (patented in 1883) was a remarkably complex device, yet was easy for unskilled workers to operate, allowing manufacturers to greatly boost production while slashing costs.



16.2 The Matzeliger Lasting Machine
Jan Matzeliger's complex sewing machine wiped out jobs for skilled shoe "lasters," who had hand-stitched shoe tops to soles, but allowed for a huge increase in mechanized shoe production.

Government policy likewise played a key role in furthering American industrialization. The federal government and the states extended substantial support to railroad projects that totaled almost 180 million acres in land grants and $500 million in loans and tax breaks (see Chapters 13 and 15). Public officials, in an argument later used to justify government support for the Interstate highway system and the Internet, defended this largess by arguing that railroads generated economic growth that benefited everyone from travelers to farmers to manufacturers. High federal tariffs that raised the price of imported goods, thereby helping domestic manufacturers, represented another government policy that promoted industrialization.

Yet the government also promoted industrialization by inaction. Public officials, business leaders, and conservatives subscribed to the philosophy of **laissez-faire** (French for "let do" or leave alone), which argued that the government should impose no restraints on business, including workers' demands for laws to regulate the hours of work, safety conditions, and wages. Government officials also ignored reformers' demands for statutes curbing cutthroat business practices and the establishment of an income tax. As Thomas Nast's political cartoon vividly shows (**16.3**), business and government leaders argued government interference harmed the American economy, depicted here as a woman weighed down by government-imposed burdens such as income taxes, laws (regulations), and "ideal" money (money not backed by gold). The closed shop and idle ship in the background and the vulture circling overhead all suggested these policies would kill the economy. Widespread support for laissez-faire among lawmakers left capitalists to operate in a market free of the restraints of government regulation.

16.3 Defending Laissez-Faire
This 1878 cartoon warns that government interference with the economy threatens the well-being of the nation.

How did government officials defend the practice of making huge land grants to the railroads?

The Railroads

The most dramatic change in the late nineteenth-century industrial economy was the emergence of large **corporations**, business organizations established by a group of individuals and owned by people who buy shares of stock in the company. Before the Civil War, most American manufacturers were small-scale operations with fewer than twenty-five employees. They were usually privately owned and sold their products within a few hundred miles of where they were made. All this changed after 1865, as entrepreneurs, seeking bigger markets and greater profits that they could now reach thanks to the railroad and telegraph, began to form massive corporations that boasted thousands of employees in a single factory complex, operations in several states, and millions of dollars of investment capital raised from the sales of stock.

The original big businesses were railroads, and they played a key role in transforming the United States into an industrial power. In 1865 there were scores of small railroad companies scattered throughout the Northeast and Midwest and, to a lesser extent, the South. Comprising 35,000 miles of track, they serviced small areas and established their own standards for things such as track gauge (the distance between the rails). Nearly all suffered from financial instability and poor management. But by 1900, this haphazard system had developed into a massive, consolidated, and integrated national railroad network of 193,000 miles dominated by just seven large corporations.

Railroads grew at such a ferocious pace because they could be built almost anywhere, creating a transportation network no longer confined to meandering rivers and expensive, slow-to-construct canals that often froze in winter. The railroad also offered another great advantage: speed. People, mail, and goods traveling by stagecoach might, on a good day, cover 50 miles. A steam locomotive pulling many times more people, mail, and goods could cover the same distance in less than two hours. And after the completion of the first of several transcontinental lines in 1869 (see map 15.7) the railroad offered service from coast to coast.

The railroad meant more quick and cheap transportation, both boosts for the national economy. Wherever railroads were built new areas of settlement opened. Farmers settled on nearby land, often sold to them by the railroad company, confident that they could get their agricultural produce to market. Shopkeepers, artisans, laborers, and railroad employees (one million by 1900) settled in towns that sprang up along the tracks. In turn they became consumers of finished goods brought by the railroad from eastern manufacturers. The railroad industry also contributed to the national economy by consuming large quantities of iron, steel, coal, and wood.

Fierce competition among railroads initially led to the rapid expansion of lines. By the 1870s, many railroads tried to diminish competition by buying out rival railroads, leading to the creation of giant corporations such as the Pennsylvania Railroad and the New York Central Railroad. Both owned thousands of miles of track in many states, employed tens of thousands of workers, and handled millions of dollars in investment capital and revenue.

Modern Business Practices

The success of the large railroad corporations led to the modernization of business practices in two important ways. First, railroad corporations allowed other types of businesses to see the advantages of incorporating and issuing stock. Stock sales allowed corporations to raise capital to expand the business (for example, to buy new and more efficient equipment, or to buy a rival company). If the company earned a profit, stockholders benefited from an increase in the value of the stock (which they could sell for a profit) and sometimes by earning dividends. Stockholders played no direct role in running a company; a professional management team performed that function. But stockholders also enjoyed "limited liability": If the company failed they were not liable for any of its debts or obligations, but they stood to lose only their shares. By the 1870s increasing numbers of companies involved in manufacturing, mining, communications, and finance had incorporated.

Second, the sudden emergence of huge railroad corporations operating in many states, employing thousands of workers, and handling millions of dollars encouraged the development of modern, sophisticated management practices. Chief among these practices was standardization. For example, in 1883, the nation's major railroads established the four time zones that are still in use today. This decision helped to combat the problem of irregular "local time" (for example, when local time in New York City was 12:00 p.m., it was 11:55 a.m. in Philadelphia and 11:47 in Washington, D.C.) that

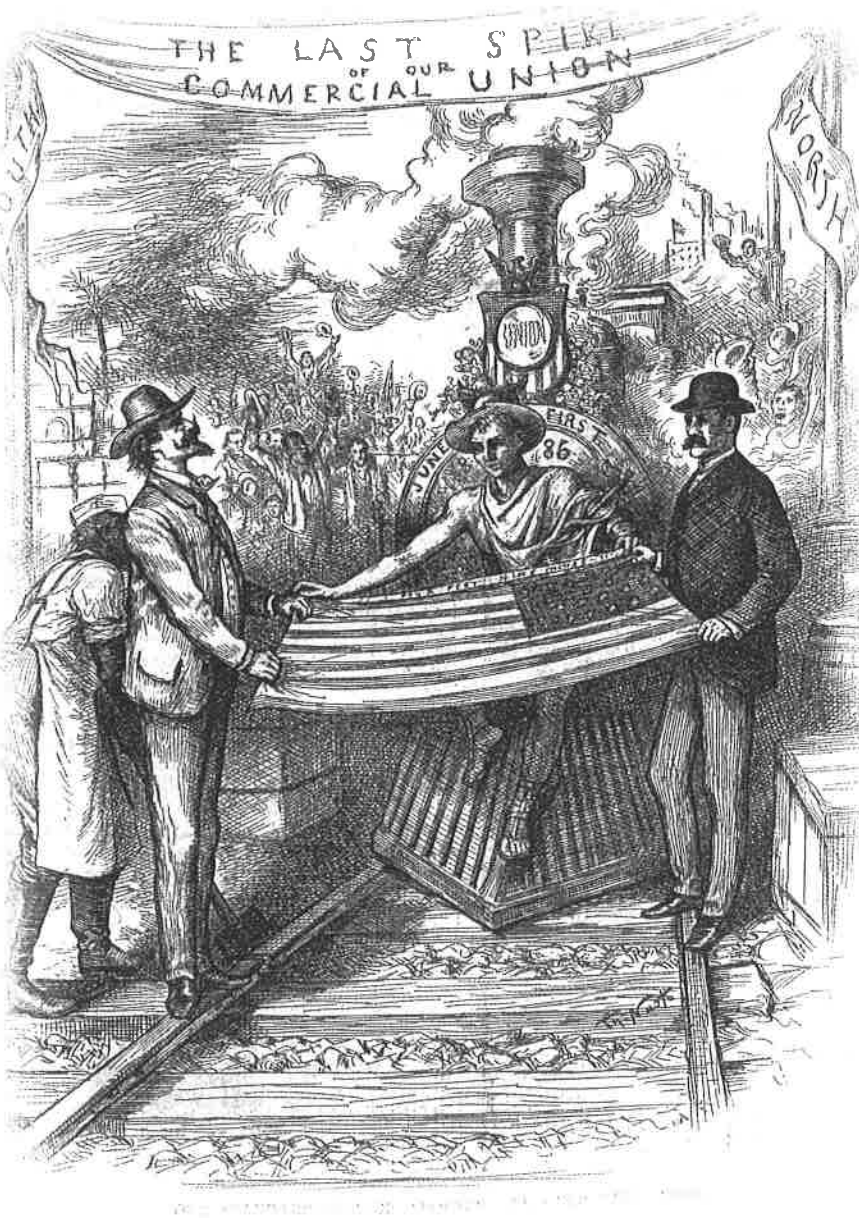
How did railroad grants both reflect and promote national economic growth?

> "Railroad time, it appears, is to be the time of the future. And so, people will now have to marry and die by railroad time. Ministers will preach by railroad time, and banks will be required to open and close by the same time. The sun is no longer the boss of the job."
>
> *Indianapolis Sentinel*, 1883

often led to costly accidents between trains sharing a single track or crossing at a junction.

Similarly, the development of standardized equipment like couplers, signals, and brakes allowed for easier operation and maintenance of a railroad's growing fleet of rolling stock. In 1886 the railroads also established a standard gauge for track of 4 feet 8.5 inches, thereby eliminating costly delays caused by the need to transfer cargo from one train to another wherever tracks of two different gauges met. As this drawing (**16.4**) indicates, many Americans viewed standard gauge as bringing both economic and political benefits to the nation, since it promised to create both a more efficient railroad system and greater unity between the less developed South (see Chapter 14) with the rapidly industrializing North. The banner "The Last Spike in Our Commercial Union" likens the event to the 1869 completion of the transcontinental railroad.

To oversee these vast commercial operations—the largest in the world—executives of the major railroads, such as Jay Gould, Tom Scott, and Collis B. Huntington, developed complex hierarchies of superintendents, managers, and clerks and new systems of accounting, advertising information management, and pricing. Other big businesses, such as steel, oil, manufacturing, and retailing, soon copied these organizational practices, making them the norm in most large corporations.



16.4 Celebrating the Standard Gauge, 1886
In this imagined scene Northerners and Southerners celebrate the adoption of a standard rail gauge as a measure destined to bind the country together economically.

Rising Concern over Corporate Power

Americans greeted the astonishing spread of the railroad with mixed feelings. Many agreed with poet Walt Whitman, who celebrated the railroad as "the modern emblem of motion and power—the pulse of the continent." They delighted in the benefits of inexpensive and speedy travel and increased access to finished goods in new mail order catalogs.

What advantages did standardization bring to business?

16.5 Demonizing the Monopoly Americans grew increasingly worried about the rising power of railroads, the largest of which were often criticized as monopolies that strangled their competition.

Yet many Americans worried about the larger implications of the railroad. The cartoon depicting the Southern Pacific Railroad as a ravenous octopus (**16.5**) expressed their concern. The railroads and the fabulously wealthy men who ran them (shown in the eyes of the octopus) wielded immense power. The artist labeled the octopus a **monopoly**, a popular term to describe the control of an industry or market by one corporation. Was such unchecked power vested in the hands of so few people, worried the critics, compatible with the nation's republican principles? Many feared it was not—especially when it became clear that railroad executives routinely used their wealth to bribe state legislatures, members of Congress, and cabinet officials. Additional revelations of stock manipulation, price gouging of farmers and manufacturers, exploitation of workers, and shoddy construction and unsafe operation added to the railroad's tarnished image and fueled concerted efforts to curb its power. Although few critics raised the issue at the time, later generations decried the railroad for its role in hastening the defeat of the Plains Indians and the near extermination of buffalo upon which they depended (see Chapter 15).

Growing anxiety and anger over the abusive practices of many large railroads eventually compelled reformers to seek tighter regulation of the industry. Given the immense power and wealth of the railroad and a general reluctance among politicians to regulate business, reform faced many setbacks. Farmers, bitterly opposing the high rates charged by railroads to transport and store agricultural commodities, led the first significant effort to curb laissez-faire business practices. Known as the Grange (see Chapter 15) it led a successful political movement in the 1870s to pass numerous laws regulating prices and outlawing unfair business practices.

Andrew Carnegie: Making Steel and Transforming the Corporation

Of all the new things produced by the explosion of industrial output after 1865, none was more important than steel. Many times stronger than iron, steel became the essential ingredient in the transformation of America into an industrial society, allowing for the construction of the railroad and telegraph networks and tall buildings called "skyscrapers." Steel also allowed for the construction of huge factories, filled with powerful manufacturing machinery—made from steel, of course. Steel likewise accelerated the commercialization of American agriculture as the material that made possible sharp, durable, and deep-cutting plows and mechanical reapers. It also altered modern warfare, enabling the development of more accurate, powerful, and thus more deadly weapons. Steel, in short, was as influential and revolutionary a substance in the late nineteenth century as silicon (used to make computer chips) was to become in the late twentieth.

Steel was important in still another way, for it brought to prominence the single most influential big business man of the era, Andrew Carnegie.

Why did many Americans come to see railroads as potential threats to democracy?

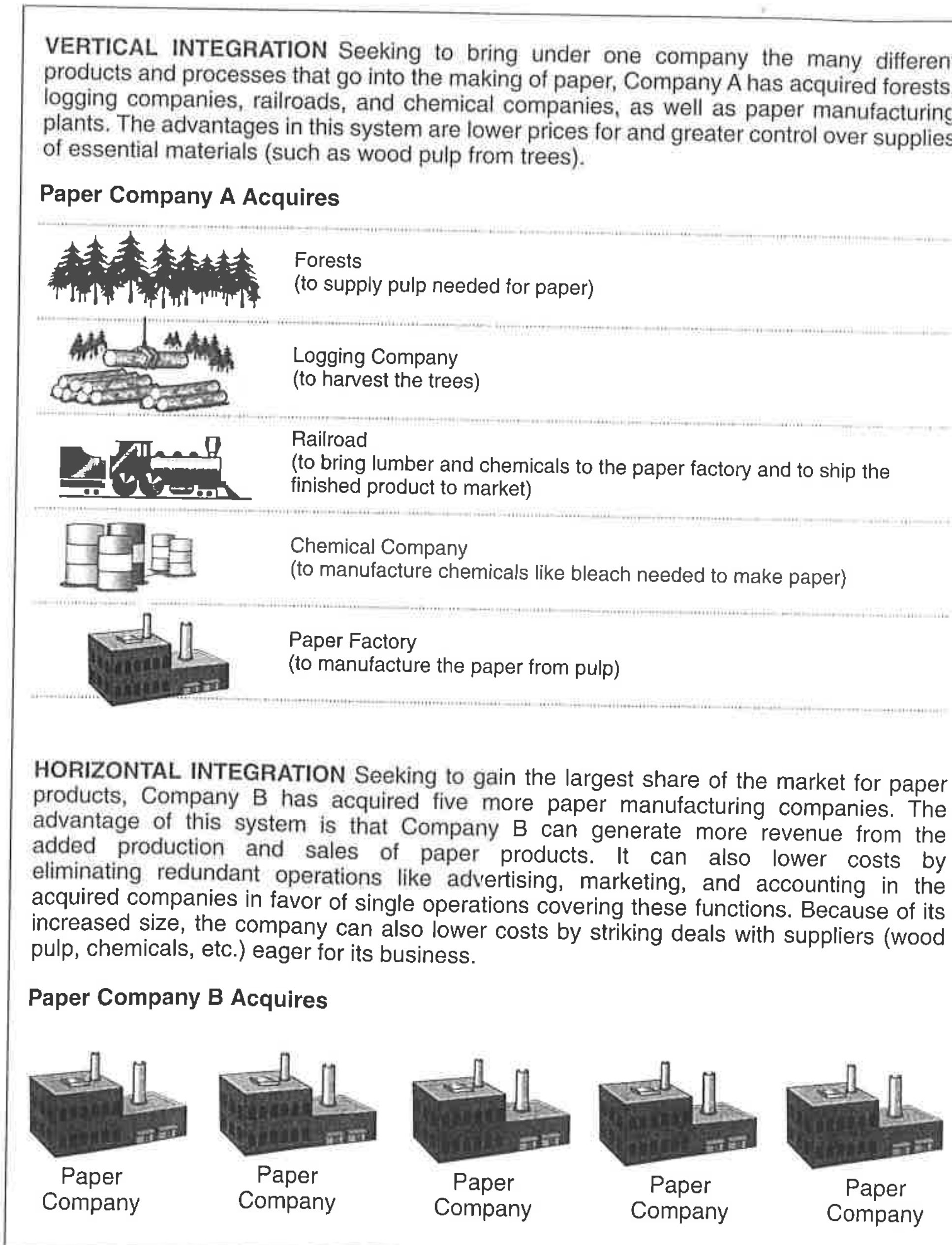
Carnegie's success was all the more remarkable because of his humble origins. Born in Scotland in 1836, he immigrated to America with his family at the age of twelve. Settling in Pittsburgh they struggled to earn a living. Young Carnegie dropped out of school and took a job in a textile factory where he earned just $1.20 per week. Bright and ambitious, Carnegie took night classes in accounting, taught himself telegraphy, and went to work for Western Union. In 1853 Pennsylvania Railroad regional supervisor and future company president, Thomas A. Scott, hired the seventeen-year-old to serve as his personal telegrapher and eventually private secretary. In this capacity, Carnegie learned every detail of modern business practices that the railroad was developing. With his higher salary, he invested in railroads, factories, and, increasingly, the iron and steel industries.

In 1870 while running a very successful company that built steel bridges, Carnegie decided to move entirely in steel production. He built his own steel works and, drawing upon his knowledge of railroad management, he followed obsessively one fundamental business principle: reducing production costs to the lowest possible level.

To achieve this goal, Carnegie hired the brightest executives, accountants, managers, scientists, and engineers. He also invested heavily in the latest technology. He was the first to invest in the breakthrough Bessemer-Kelly process, a method of making exceptionally strong steel quickly and at low cost (in part due to reducing the need for skilled metalworkers).

Carnegie's focus on cost control led him to pioneer what is in the business practice known as **vertical integration,** the organization of a business by which one company controls all the main phases of production, from acquiring raw materials to retailing the finished product. Other industrial magnates who came to dominate their industries opted for a **horizontal integration,** a model where they bought out many companies producing the same product to eliminate competition and achieve greater efficiency (**16.6**). To provide a steady supply of cheap coal, iron, and other essential raw materials that steel production depended on, Carnegie bought mines, smelting operations, railroads, and ships.

Finally, Carnegie pursued cutthroat practices to battle rival steel producers. To drive smaller rivals out of business, Carnegie slashed his prices to levels that bankrupted his competitors, allowing him to buy them out and gain a greater share of the market.



16.6 Horizontal Integration versus Vertical Integration
Industrialists pursued two strategies when seeking to expand the size of their corporation. With vertical integration they sought to minimize costs and increase control of production by acquiring different kinds of companies involved in the chain of production. Through horizontal integration they attempted to reduce competition by acquiring their competitors.

Like many other industrialists, he also signed secret deals with railroads, securing lower transportation rates for his steel than that charged by his competitors. Most of these tactics were legal at that time, but many critics considered them abusive.

The result of Carnegie's business policies was astonishing, bringing annual profits to $40 million by 1900. By then Carnegie Steel was the largest corporation in the world, with more than twenty thousand employees and related operations in many countries. Carnegie's success was part of the much larger story of the "age of steel." By 1900 the U.S. steel industry employed 272,000 workers who that year produced 10.4 million tons of steel—an output more than twice that of its nearest rivals, Germany and Great Britain.

Rockefeller and the Rise of the Trust

Carnegie was the most famous industrialist in the late nineteenth century, but countless others similarly led the way in developing key parts of the American economy. These included entrepreneurs like Philip Armour and Gustavus Swift (meatpacking), James B. Duke (tobacco products), George Eastman (Kodak camera) and Cyrus McCormick (farm equipment). Like Carnegie these industry leaders and thousands more succeeded by combining vision and ruthlessness, leading the public to both laud them as "captains of industry" who offered an ever-growing number of new products and services and denounce them as "**robber barons**," greedy capitalists who grew rich by devious business practices, exploitation of workers, and political manipulation.

The industrialist most frequently denounced as a robber baron was John D. Rockefeller. In many ways his rise to dominance in the oil industry resembled that of Andrew Carnegie. Through relentless cost-cutting, acquisition of new technology, hiring top-notch managers and scientists, and making secret deals with railroads to undermine his competition Rockefeller's Standard Oil company controlled more than 80 percent of the nation's oil-refining capacity by 1879. Unlike Carnegie, Rockefeller initially expanded his interests via horizontal integration (**16.6**), focusing almost exclusively on buying or building oil refineries. Later he followed Carnegie's vertical integration model as well, purchasing oil fields, railroad cars and warehouses, pipelines, and barrel factories.

Rockefeller's chief contribution to the rise of big business was the invention of two new forms of corporation management: the trust and the holding company. Like many industrial magnates, Rockefeller upheld the ideal of competition, but privately he believed competition between rival companies merely created waste and instability in the market. When so-called pools—secret deals between ostensibly rival companies to set production limits to keep prices high and award each participant a certain share of the market—inevitably failed, Rockefeller devised the trust.

Unlike pools, which lacked any legal basis and thus carried no penalty for cheating, **trusts** were legally binding arrangements that brought many companies in the same industry under the direction of a single board of "trustees." To join a trust, a company turned over to a board a majority of its stock in exchange for trust certificates, which guaranteed it a share of the profits. Rockefeller's Standard Oil Trust, for example, consisted of forty companies under the direction of a nine-member board of trustees selected by Rockefeller himself. As profits soared, dozens of trusts in other industries, such as sugar, lead, cotton, and oil, were formed, although not all successfully.

> "Honest labor never rusts: up with labor down with trusts."
>
> Banner in 1889 Boston Labor Day Parade

The rapid emergence of giant trusts, as with the rise of large railroads, alarmed many Americans. Fueling this rising concern was the unwillingness of Congress and the Supreme Court to curb the power of big business. In 1886 the very conservative Supreme Court declared that state railroad commissions did not have the authority to impose regulations on railroads because only Congress had the right to regulate interstate commerce (*Wabash, St. Louis & Pacific Railway Co. v. Illinois*, 1886). In a separate case (*Santa Clara County v. Southern Pacific Railroad*, 1886), the court also declared that corporations were "de facto persons" and thus subject to all the protections under the Fourteenth Amendment. No state or local government, therefore, could impose limits on corporations "without due process of law"—in other words, approval by conservative federal courts.

Why did big business find trusts so useful and attractive?

The next year in 1887 Congress attempted to curb the power of the railroads by establishing the Interstate Commerce Commission and making pools and rebates (special discounts by railroads to favored customers) illegal. But the ICC proved weak and ineffective, especially in the face of a conservative Supreme Court. Of the sixteen cases when railroads challenged a ruling by the ICC between 1887 and 1905, the Supreme Court sided with the railroads fifteen times.

Big business also benefited from enormous political influence in Congress. In this damning 1889 cartoon, *The Bosses of the Senate* (**16.7**), from the popular magazine *Puck*, the bloated trusts are clearly in charge. Congress was all too willing to do the bidding of corporate interests. Note that the doorway marked "People's Entrance" is boarded shut while a much larger "Entrance for Monopolists" is wide open. Note too the bitter conclusion that big business has subverted American democracy: "This is a Senate of the monopolists, by the monopolists, and for the monopolists."

The fate of the **Sherman Anti-Trust Act** of 1890 seemed to verify this conclusion. It was originally proposed as a law that empowered the Justice Department to prosecute any illegal contract, combination, or conspiracy among corporations that was designed to eliminate competition or in any way restrain free trade. In other words the act made trusts illegal. But months of lobbying by corporate interests influenced Congress to word the final version of the act so vaguely that it was essentially unenforceable. As a result, the Justice Department prosecuted only eighteen antitrust cases between 1890 and 1904.

Rockefeller's other major corporate management innovation—the **holding company**—replaced the trust in the 1890s as the preferred big business model. The holding company was a huge corporation that bought and ran other corporations by purchasing their stock. Rockefeller's idea caught on immediately because it offered protection from the Sherman Act and allowed for the creation of enormous corporations, many of which exercised near monopoly control of the market. Corporate mergers occurred at an astonishing pace in the 1890s, so that by 1900 a mere 1 percent of corporations controlled 33 percent of the nation's manufacturing output, a figure that rose to 44 percent by 1910. The same was true of the railroads. In 1900 seven colossal railroads controlled two-thirds of the nation's track mileage. Big business, despite the best effort of reformers, was here to stay.

16.7 The Political Power of the Trusts Reformers criticized trusts for their power to bribe and bully Congress to pass favorable legislation. Here, a meek-looking Congress sits under the domineering gaze of the bloated trusts.

Why did efforts to curb the power of trusts fail?

Creating a Mass Market

Railroads, oil refineries, textile factories, and steel mills were the most vivid symbols of the industrial era, but production was only one part of the story. Equally important was consumption—getting the public to purchase the growing array of the national economy's new products. The development of advertising would play a crucial role in creating a consumer culture, as would the department store and mail order catalogs.

The Art of Selling

To promote consumption, businesses developed sophisticated advertising techniques and marketing strategies. Many hired psychologists and other experts to develop advertising campaigns that appealed to both consumers' fears and their desires. Ads for toothpaste and deodorant, for example, stoked the public's fears of bad breath and body odor, while those for pianos and fine clothing played to desires to appear sophisticated and wealthy. Advertisers also cultivated brand loyalty through catchy slogans and impressive claims. The makers of Ivory Soap, for example, touted their product's healthful qualities with the impressive, but ridiculously exaggerated, claim that it was "99 44/100% Pure." Recognizing the value of celebrity, some manufacturers hired famous entertainers and athletes to endorse their products and allow the use of their pictures in ads. The underlying idea of advertising—spending a portion of a business's profits to generate more profit—soon became a standard business principle. Spending on advertising jumped accordingly, from $50 million in 1867 to more than $500 million by 1900.

As advertising caught on among manufacturers and retailers, competition led to increasingly complex and sophisticated advertisements. Gone were the days from before the Civil War when advertisers relied exclusively on a few bold headlines in a newspaper or magazine and some accompanying text touting a product's quality and price. With so many advertisements jamming the pages of these media, and adorning roadside signs, sides of buildings, and grocery store windows, a product's advertisement had to be eye-catching, convincing, and memorable. Advertisers began experimenting with new styles and sizes of type, developed catchy slogans, and enlisted celebrities and "experts" like doctors to vouch for their product. Once developments in print technology made it possible and affordable, they focused increasingly on images to sell their products. (See *Images as History: Advertising and the Art of Cultivating Anxiety and Desire,* page 480.)

Shopping as an Experience: The Department Store

With the emergence of advertising came the development of the department store. Irish immigrant Alexander Turney Stewart established the first in New York City in 1846. Stewart and the entrepreneurs who copied his idea built giant stores that offered a huge selection of goods, usually organized into different "departments." Customers also found a small army of clerks ready to assist them and fixed prices that eliminated uncomfortable negotiations. Retailers also offered attractive policies such as the money back guarantee and free delivery.

By the 1870s customers, increasingly called "shoppers," flocked to department stores not only for the selection, price, and convenience but also for the experience. Retailers had discovered that it was not enough to offer the finest products at good prices. Shopping had to be a pleasurable experience, so merchants built palatial, richly decorated "emporiums," an impressive Latin term meaning a

> "You can now buy your pins, your outing shirts, your wines, your prayer books, your Indian clubs, your pianolas, your false teeth, your automobiles, … [and] your spectacles … in the same place."
>
> *The Wall Street Journal,* 1903

Why did advertising become so important to business success?

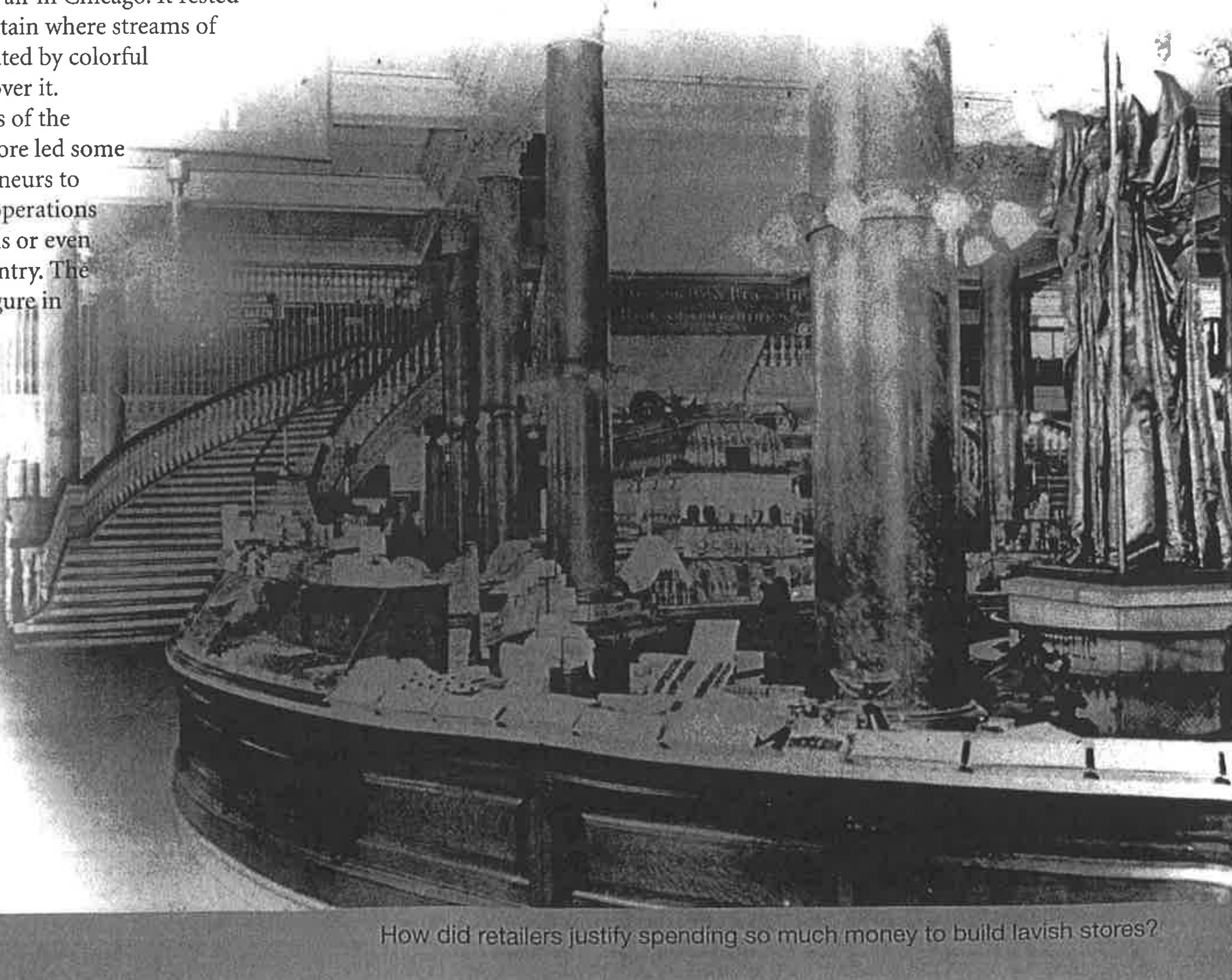
store that displayed a large variety of merchandise. One of the first merchants to do so was John Wanamaker, who took over a Philadelphia railroad depot and in 1876 opened a massive and opulently decorated store he called the Grand Depot.

In the coming decades rival stores sought to outdo each other in size and splendor, and customers came to look forward to store openings. On September 12, 1896, for example, 150,000 New Yorkers paraded through the new Siegel Cooper store on opening day. This new "shopping resort," as the *New York Times* called it, employed eight thousand clerks and cashiers and one thousand drivers and packers. The store offered not only a huge selection of merchandise but also conveniences such as telegraph and long-distance telephone services, offices for foreign currency exchange and stock trading, and a dentist office. As this photograph (**16.8**) of the central lobby shows, the store also wowed shoppers with its lavish interior. Note the marble columns and high, decorative ceilings, as well as the statue at right of "The Republic," a copy of the one recently designed by the renowned American sculptor Daniel Chester French for the 1893 World's Fair in Chicago. It rested in a large fountain where streams of water illuminated by colorful lights flowed over it.

The success of the department store led some retail entrepreneurs to expand their operations to large regions or even the whole country. The most noted figure in this field was Frank W. Woolworth, whose "five and dime" stores specialized in low prices rather than opulence. He opened his first store in Utica, New York, in 1879. By 1900 he owned fifty-nine stores, a number that eventually topped six hundred nationwide by 1911. Like their big business counterpart in manufacturing, Woolworth and other national retailers found that with size came certain advantages. Because they bought huge quantities of goods, Woolworth received big price discounts from wholesalers and manufacturers that in turn allowed him to sell his merchandise at low prices.

Bringing the Market to the Frontier

Some entrepreneurs realized that in spite of advertising and the growth of department stores, a massive retail market remained untapped: rural America. Living on farms or in small towns far from cities, these potential customers had money and desire but lacked access to consumer goods. In 1872 Montgomery Ward set out to change that. If rural



16.8 Shopping as an Experience Large retailers in cities built lavishly appointed shopping palaces to attract customers. The Siegel-Cooper store in New York City opened with great fanfare in 1896.

How did retailers justify spending so much money to build lavish stores?

Images as History

ADVERTISING AND THE ART OF CULTIVATING ANXIETY AND DESIRE

At first advertisers used images simply to display their product, both to show potential buyers what it looked like and to convince them of its quality. But by the 1880s advertisers began to take literally the old maxim, "a picture is worth a thousand words." They began using images to link certain powerful ideas, sentiments, values, and aspirations with the product. Often advertisers used images without ever showing the product itself. This 1887 advertisement for the Williams' Shaving Stick, a four-inch cylinder stick of shaving soap, that appeared in *Century Magazine* provides a vivid example of this new approach. There was a growing trend among American men in the late 1880s toward a clean-shaven look (or at the very least to confining facial hair to a mustache), a

Nude imagery was considered scandalous and unacceptable in late nineteenth century society. The use of a widely respected religious image, however, allowed the advertisers to grab readers' attention while not offending the public.

Instead of using the image of an anonymous man sporting a whisker-free face and a smile of contentment, the advertisers opted for Michelangelo's *Adam at the Time of Creation*, an image most of their target audience—educated middle- and upper-class men who read *Century Magazine*—would recognize and respect.

By asserting that "Shaggy, unkempt beards were common among the fallen, barbarous nations," the ad suggests that America's rising status in the world depends on its men taking up the razor (and Williams' Shaving Stick, of course).

Note the religious and moral imperative in this phrase: If God created Adam without a beard, the advertisement implies, then God must want all men to be clean-shaven!

This full-page advertisement omits an image of the product being sold. Instead it devotes half the page to a religious image and the rest to cleverly crafted words.

The Williams' Shaving Stick
This full-page ad ran in the November 1887 issue of *Century Magazine*.

How did advertisers cultivate anxiety to generate sales of their products?

trend that benefited manufacturers like J. B. Williams Co. To lure existing shavers to the Williams' Shaving Stick and to convince more men to shed their beards, the company used religious imagery and text to generate anxiety among men over their appearance. What other associations and messages do advertisers often try to convey through images?

This 1885 advertisement poster for the New Home Sewing Machine, designed to hang in a public space such as a train station or store, represents a different use of visual imagery in advertising. Unlike the Williams' Shaving Stick advertisement's effort to instill anxiety, it appeals to the consumer's desire for a more refined and wholesome life.

So central is this machine to creating a "new home" of middle-class tranquility that this woman has included it in the scene she is painting, suggesting that it is part of the family.

Liberated from the dismal, time-consuming task of sewing by the "Light-Running New Home Sewing Machine," this middle-class housewife is free to pursue more refined activities such as painting.

The quality of the sewing machine is taken for granted, for it sits in the background.

The happy child in the picture suggests that women who buy the machine will have more time to devote to the well-being and proper rearing of their children.

Even though this intricate and expensive-looking dress would most likely have been made by a professional and sold in a store, the ad implies that it is easily made with the New Home Sewing Machine.

The New Home Sewing Machine
The New Home Sewing Machine Company created this poster in 1885 to promote their product as beneficial to the American family.

America could not get to a department store, he would bring it to them—in the form of a single broadsheet offering two dozen items for sale by "mail order."

Ward's idea proved so successful he steadily expanded his list of offerings. By 1884 Ward presided over a thriving enterprise based on a catalog of 240 pages featuring some 10,000 items. By this time a rival mail order company run by Richard W. Sears and Alvah C. Roebuck had begun operation. Eager to reach this new market, established department stores like Macy's in New York, Jordan Marsh in Boston, and Marshall Field in Chicago followed the trend and brought out their own mail order catalogs.

The reach of corporate retailing beyond urban centers and into rural America (where most Americans lived until 1920) marked the emergence of a mass market. Whereas Americans had long shared a common language and republican political culture, they now developed a shared consumer culture. Exposed to the same advertising images and appeals, millions of Americans in different parts of the country began to adopt the same fashions, develop the same habits (cigarette smoking, for example), and purchase the same newfangled contraptions, including more than one million bicycles a year in the 1890s.

Selling to the World

As the nation's industrial production soared to unprecedented heights, manufacturers began to look for new markets for their goods. The United States had long been an exporter of agricultural products like cotton and wheat, but the leading trend after the Civil War was the export of manufactured goods. The total value of exports rose between 1870 and 1900 from $450 million to $1.5 billion, with the percentage of manufactured goods rising from 15 to 32 percent.

In addition to selling produce and goods overseas, American business interests also began to invest heavily in business ventures in foreign countries. By 1897 Americans had invested $635 million in mines, plantations, oil wells, and increasingly, manufacturing plants ($94 million). By the 1890s the Singer Sewing Machine Co. was an international corporation (**16.9**). With a factory in Kilbowie, Scotland, as well as in the United States, Singer sold its machines throughout the world. Note how the advertisement's text, "The Singer Seam unites Two Continents," and angelic female figures suggest that the company is pursuing humanitarian as well as capitalist goals. Farm equipment giant, International Harvester, likewise opened factories in Canada and Norrkoping, Sweden.

The globalization of the American economy brought many benefits to workers, consumers, and investors. But it also contributed to the growing sentiment in the 1890s that the United States needed to become an imperial power to protect overseas investments and ensure that markets in Asia, Africa, and Latin America remained open.

16.9 The Globalization of American Industry Like many large American corporations, the Singer Sewing Machine Co. became an international corporation by the 1890s, selling its machines throughout the world.

How did advertising promote the development of a national consumer culture?

The World of Work Transformed

The huge industrial enterprises built by Carnegie, Rockefeller, and others ultimately depended not on their individual genius but on the collective labors of American workers. As the number and size of factories grew in the late nineteenth century, the size of the industrial workforce expanded rapidly, from 1.3 million workers in 1860 to 5.1 million in 1900. Many of them faced hardships: long hours, low pay, dangerous conditions, and frequent downturns in the economy. Workers responded by forming unions, staging strikes, and protesting the surging power of business as a threat to democracy.

The Impact of New Technology

The constant introduction of new technology that marked the Industrial Revolution resulted in much more than increased manufacturing output. Even more important was its impact on the status of industrial workers. New machines produced more goods in less time and usually required only low-skilled labor to operate. Machinery transformed shoemaking, for example, from a skilled trade in the 1820s to a low-skill factory occupation by the 1860s. The same was true in the garment and textile industries. Because they could easily replace low-skilled labor, employers could pay them low wages and demand long hours. They could also simply fire or replace workers who complained or failed to keep up the pace with other unskilled workers.

This trend occurred unevenly across industrial America. For example in building trades like carpentry and bricklaying, new technology did little to undermine the position of skilled craftsmen. In other settings new technology created new opportunities for some workers. Some found well-paid skilled work as mechanics, while others became foremen and floor managers who oversaw the work of unskilled operatives. These more fortunate workers often enjoyed far higher wages, shorter hours, and better treatment compared to the unskilled.

Nonetheless for many workers new industrial technology eliminated their skilled jobs in favor of unskilled ones. Just as shoemaking changed from a skilled trade in the 1820s to a low-skill factory occupation by the 1860s, so did the garment and textile industries. In these settings, employers enjoyed increasing power over their employees for the simple reason that unskilled workers were easily replaced.

Hard Times for Industrial Workers

New technology was but one of many difficulties confronting industrial workers in the age of industrialization. Most workers complained about long hours and low wages. Although averages for both varied by industry and region, workers often toiled twelve hours each day, six days a week, for wages that barely covered weekly basic living expenses. By some estimates the average wage earner in the late nineteenth century made \$400–500 per year, when living decently required a minimum of \$600–800. Working-class families made up the difference by sending their children to work, taking in boarders, and bringing in "home finishing" work, performed by women, such as sewing buttons on new shirts.

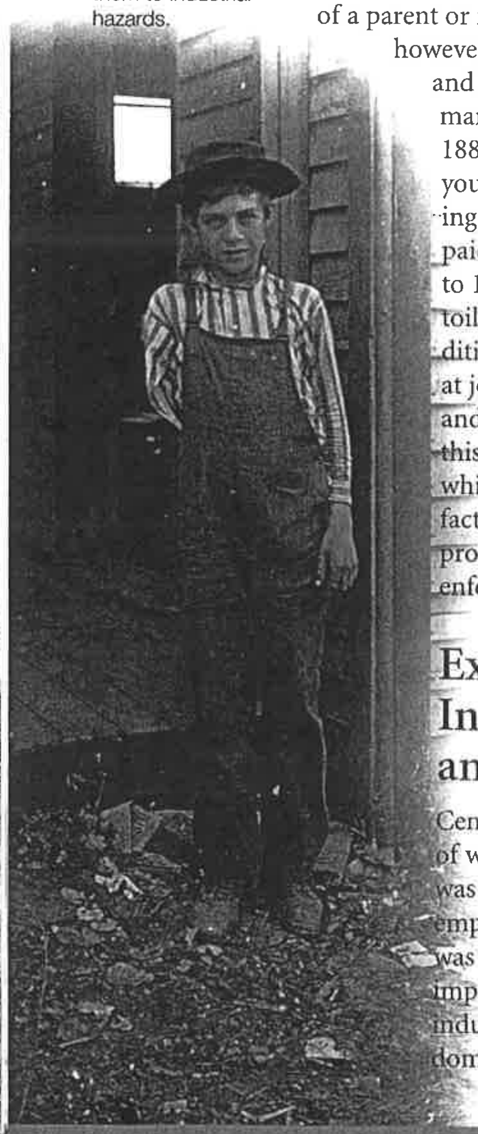
Compounding the precarious economic position of wage earners was the "boom and bust" character of the industrial economy. Severe depressions (1873–1877 and 1893–1897) and recessions interrupted periods of prosperity and economic growth. Each **depression**, or "bust" as it was called, involved a contraction of economic growth, widespread business failure, and high rates of unemployment lasting several years. The severe depression of the 1870s, for example, resulted in the loss of more than a million jobs and nearly fifty thousand businesses. Those who did keep their jobs often found their wages slashed and hours increased by employers desperate to remain solvent or ruthless enough to take advantage of rising job competition between the employed and the unemployed. The monotony of industrial work likewise added to the difficulties wage earners faced. Many did work that forced them to perform the same task repeatedly, such as pulling a lever on a metal stamping machine. Workers felt, in the words of one machinist in 1883, that they were

How did new technology weaken the independence of skilled workers?

becoming "part of the machinery," a state of affairs they found "very demoralizing."

The industrial workplace was also extremely dangerous. Every year between 1880 and 1900, 35,000 workers (on average) were killed on the job and another 500,000 injured. This carnage resulted in part from the monotony of factory work, which led mind-numbed workers to make mistakes or fall asleep. But most injuries stemmed from the factory owners' negligence. With no laws compelling them to make their workplaces less lethal, few industrialists were willing to incur the expense of installing safety devices or procedures. Not until the early twentieth century did most states begin enacting laws requiring compensation be paid to injured workers or the families of killed workers.

Another disturbing trend in this era was the sharp rise in child labor. Before the Industrial Revolution children of farmers and artisans performed all sorts of work that contributed to the family economy—but always under the supervision of a parent or relative. Children working in industry, however, left their homes to work in factories and mines under the supervision of a manager rather than a parent. Between 1880 and 1900 the number of children younger than sixteen years of age working for wages—usually a fraction of those paid adults—skyrocketed from 180,000 to 1.7 million. Children as young as seven toiled long hours in dangerous conditions in mines and factories, working at jobs that exposed them to dangerous and unhealthful conditions. The boy in this photograph (**16.10**) lost his arm while operating a power saw in a box factory. Many states passed laws prohibiting child labor, but they rarely enforced them.



16.10 The Price of Child Labor Because they could pay children less than one-half the wages of an adult, employers hired increasing numbers of child laborers in the late nineteenth century, depriving them of education and often exposing them to industrial hazards.

Exploitation, Intimidation, and Conflict

Central to the transformation in the lives of workers ushered in by industrialization was the increasing power exercised by employers in the workplace. Since profit was their paramount goal, employers imposed strict discipline on their industrial workers. The clock came to dominate the workplace, as employers demanded workers begin and end their day (with a few short scheduled breaks) at precise times. Workers who arrived late or took unauthorized breaks were fined or fired. Some factories forbade workers to talk to one another—or worse, to whistle.

> "I make about three dollars a week, and my sister—she is only six years old—she does not make as much, sometimes a dollar a week, sometimes more."
>
> An eight-year-old child laborer, New York, 1871

Enforcing these new rules was an increasingly important figure in the industrial workplace: the manager or foreman. In sharp contrast to the early nineteenth-century preindustrial economy, few workers now ever saw, let alone spoke to, their employer. Instead, they dealt with managers or foremen hired to run a factory as efficiently and profitably as possible. This meant pushing workers to meet production goals and firing those who were unable to keep up or who caused trouble. Many foremen came from working-class backgrounds and treated workers fairly, but others could be abusive, especially those overseeing workers of a different ethnic background. Female workers were particularly vulnerable to abuse. In this drawing from 1888, the foreman in a garment factory shakes his fist at a weary female worker, urging her to work faster (**16.11**). In the larger inset, the overworked woman sprawls on a bed in a dingy tenement. That this image ran under the sensational title *The Female Slaves of New York* in a popular newspaper that often expressed hostility toward workers indicates the notoriety the foreman had achieved in the garment industry by the late nineteenth century.

Workers also found it difficult to organize labor unions. The first major effort to build a national labor movement after the Civil War began in 1866 when William Sylvis, a charismatic iron molder, founded the National Labor Union (NLU). A federation of independent craft unions, the NLU sought to unite skilled workers nationwide to secure demands such as a federal law establishing the eight-hour day and a federal department of labor. Its membership topped 300,000 (nearly all native-born white men in skilled trades) by 1869. But Sylvis's

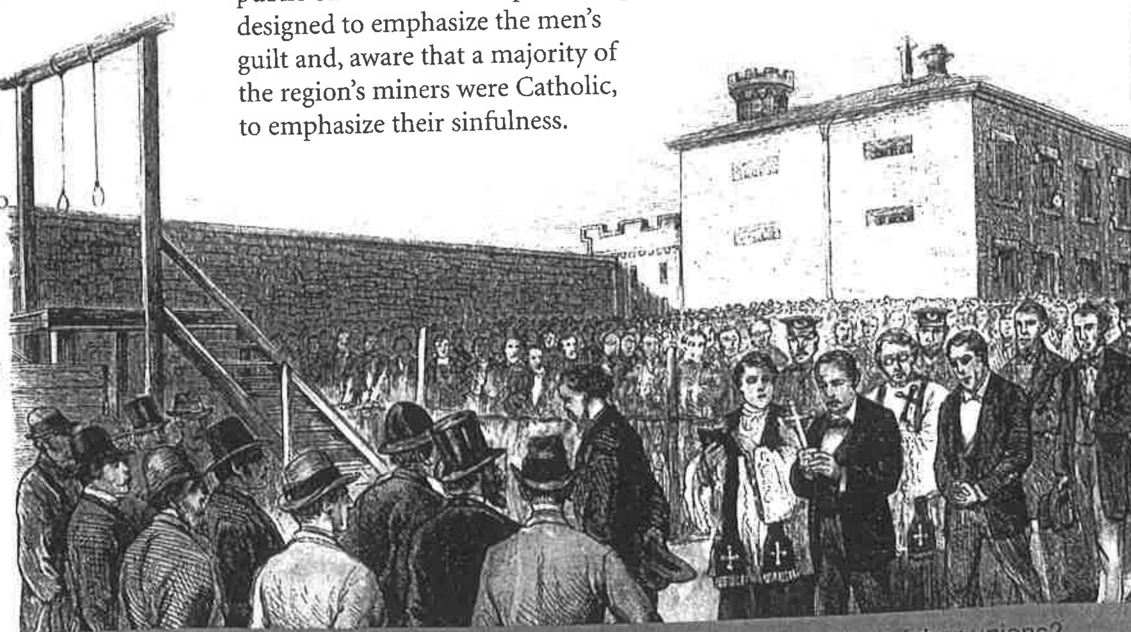
What factors made industrial workplaces so dangerous?

16.11 Exploiting Female Workers
Shop floor foremen and managers became increasingly important as the size of workplaces grew. As demands for greater productivity grew, female workers were especially vulnerable to abusive foremen. The threat of overwork to the health of women is emphasized in the two insets. One depicts workers carrying heavy bundles of work home while another shows an exhausted laborer collapsed on her bed.

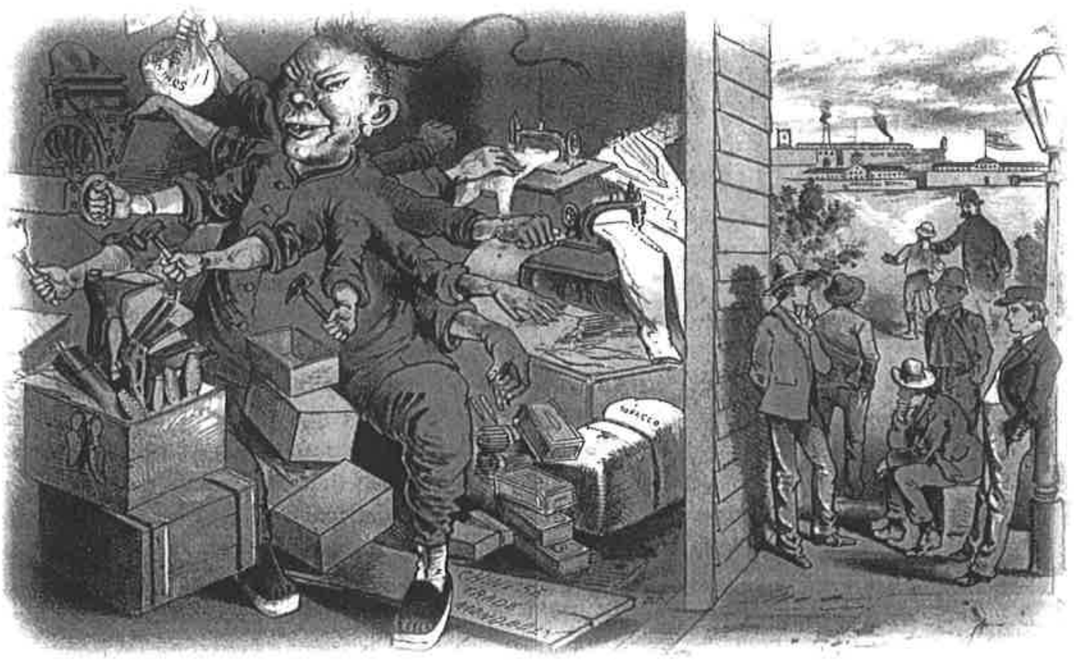
sudden death that year weakened the NLU, and the depression of the 1870s wiped it out completely.

Most employers saw unions as threats to their profits and freedom to run their businesses as they wanted. Many hired spies to expose labor organizers so they could fire them and put them on **blacklists**, lists of workers that employers in a particular town or industry refused to hire because they were considered trouble-makers. During strikes, employers routinely resorted to replacement workers. In this effort they usually enjoyed the cooperation of local officials, who ordered policemen to drive away or arrest pickets gathered outside a workplace. If a labor dispute went to court, an employer could more often than not count on a favorable ruling by a judge or jury. On top of all this, workers faced one over-riding problem—few unions had the financial resources to support striking workers for more than a few weeks. Strikers, one worker attested, "have had nothing to combat capital with except their empty stomachs, while the capitalists have had unlimited financial resources and have been able to starve the workingmen into submission."

Not surprisingly, rising worker frustration and anger led to an increasing number of strikes and violence. Between 1881 and 1905 American workers staged 36,757 strikes that involved more than six million workers. One particularly bitter incident took place in Pennsylvania. In response to the abusive labor policies of coal mine bosses in the 1860s, miners had formed a union called the Workingmen's Benevolent Association (WBA). Many of its members were Irish immigrants some of whom, drawing on the tradition of secret societies that resisted oppressive landlords in Ireland, formed a clandestine labor organization known as the Molly Maguires that carried out acts of intimidation, vandalism, violence, and occasionally, murder against foremen and managers. In 1874 mining interests set out to destroy the WBA by convincing the public that it was one and the same as the Molly Maguires. Within a year this campaign resulted in more than fifty arrests and numerous convictions—many on questionable testimony and with little or no evidence. In all, twenty alleged Molly Maguires were hanged for murder, including ten on a single day, June 21, 1877. Note how in this drawing (**16.12**) public officials created a powerful public spectacle designed to emphasize the men's guilt and, aware that a majority of the region's miners were Catholic, to emphasize their sinfulness.



16.12 The Pageantry of Execution
On June 21, 1877, "Black Thursday," Pennsylvania officials staged carefully planned executions of ten convicted miners known as Molly Maguires.



16.13 Hard Times Fuel Anti-Chinese Racism
During the depression of 1873–1878, workers blamed high levels of unemployment on Chinese immigrants, whom they accused of working long shifts for low wages.

Three weeks later, on July 14, 1877, the largest strike in the world in the nineteenth century erupted. The "Great Uprising" of railroad workers began in Martinsburg, West Virginia, and quickly spread to Baltimore, Philadelphia, Pittsburgh, St. Louis, Chicago, and other cities. The strike involved thousands of workers, and violence emanated from both sides. In Pittsburgh, for example, soldiers opened fire on striking workers and their families, killing twenty and wounding twenty-nine. Enraged by the killings, strikers and their supporters attacked the troops and the Pennsylvania Railroad stockyards, resulting in the destruction of all the terminal's buildings and other property.

The mainstream press expressed some criticism of the railroads for slashing workers' wages, but most dismissed labor activism as illegal, ill-informed, and un-American. (See *Competing Visions: The Legitimacy of Unions.*)

While workers in this period faced hostility from employers, politicians, and journalists, they also had to contend with animosity within the ranks of labor that often hindered their ability to organize. Deep hostility often existed between skilled and unskilled workers, who frequently viewed each other as having little in common. Workers were also riven by disputes arising from different ideologies, including several varieties of **socialism**, a theory that rejected capitalism and advocated common ownership of private property and greater social and economic equality. They also argued the persistent question of whether workers' interests were best served by pressuring the major political parties or by forming an independent labor party.

Perhaps the most significant divisions among workers centered on race and ethnicity. A rising tide of immigration in the late nineteenth century brought greater ethnic, racial, and religious diversity to an already diverse workforce, making more difficult the task of uniting them in common cause. For example, when hard times hit during the depression of the 1870s, anti-Chinese sentiment among American workers soared, ultimately leading to the **Chinese Exclusion Act**, a law enacted in 1882 barring Chinese immigration to the United States. As the cartoon (**16.13**) from *The Wasp* demonstrates, Chinese workers were blamed for taking jobs from Americans. The artist depicts a twelve-armed Chinese worker, drawn in racist caricature, laboring maniacally at a dozen tasks while young American-born workers stand idly near a factory. One of the workers is being hauled away by a policeman, implying that unemployment has led him to a life of crime.

African American workers also faced racist hostility from white workers, especially as they began moving to Northern cities in increasing numbers in the 1890s. Much of this hostility stemmed from the widely held racist beliefs of the day that told white workers they were superior to blacks. But it also emanated from the fear that African Americans would take jobs from white workers—a fear exacerbated when employers occasionally used black workers as strikebreakers.

Competing Visions

THE LEGITIMACY OF UNIONS

While conflict between workers and their employers often centered on wages and hours, it also occurred over the legitimacy of labor unions. Many Americans denounced unions as illegal, foolish, and un-American. The editor of *Scribner's Monthly*, writing in the aftermath of the 1877 Great Uprising of railroad workers, reflects this view as does the accompanying image from *Puck*. Workers and their advocates like John Swinton, editor of a pro-labor newspaper in New York, offered a very different vision of labor unions as vital organizations that protected workers from the most extreme forms of exploitation. Why did employers find unions so objectionable, even dangerous? What benefits did workers see in unions?

Scribner's Monthly (October 1877)

And now that it is over, it is a good time to ask once more what good has come from this strike, and what good has come of any strike. The laws of nature which, after all, govern the laws of trade … can never be overcome or circumvented by a strike. Labor will always command its value—no more, no less. … Strikes are always mistakes; they are often crimes.

The day of the inauguration of trades unions and labor organizations in this country was a day the blackest and fullest of menace to the popular prosperity and peace that ever dawned upon the nation. They have been an unmitigated curse to employers and employed alike. The nature and purpose of these organizations are simply outrageous. They have been despotic toward their own members, oppressive toward the class in whose interest they pretend to have been established, impertinent and intermeddling. They have assumed the right to control property and business in which they had no more right than if they lived in the moon. There should be in the good sense of the great mass of laborers a reaction against this wretched crime, and this stupendous foolishness.

John Swinton's Paper (January 27, 1884)

There are many who cannot understand why Trades Unions exist here. They have heard them described as alien to the American craftsman, causing strikes, and raising ill-feeling generally between… employer and employe[e].

In the present state of industry, Trade Unions are a necessity, recognized as such by the great majority of intelligent workmen, … and securing for their members a partial degree of protection without which they would sink into depths as yet unfathomed.

There is a hue and cry against the Unions as agencies that provoke strikes. In nine cases out of ten, strikes are made necessary by circumstances over which the Unions have no control whatever; sometimes they are a protest against unendurable reductions in wages … sometimes by unjust conduct on the part of bosses or corporations. No Union to-day orders a strike that can be avoided by reasonable means; no Union orders a strike without full consideration of the subject and after a fair vote. …

But we are told that no strike ever brings any advantage to the strikers … This is a mistake that cannot be made by any one who has observed the results of strikes either in the United States or in any other country. …

But strikes often fail,—yes, it is true. Capital often triumphs in the conflict with labor,—true again. Yet capital would be even harsher and more exacting than it is, if it were not for the protest of the strike, and the warning that it gives. The wages which, in many industries, are but little above the living point, would be put down and kept down to the starvation point, if the men accepted with submissive spirit every reduction of wages, and all the severe terms that capital tries to enforce.

This Puck magazine cartoon from the mid-1880s portrayed labor union officials as tyrants who hurt the interests of workers

Why do labor activists argue that unions are defensive in nature?

CHAPTER REVIEW

1866–1868

William Sylvis founds the National Labor Union
First significant effort to organize workers nationally

Horatio Alger publishes *Ragged Dick*
First of one hundred "rags to respectability" novels popularizing the ideal of the self-made man

1873–1876

The Panic of 1873
Begins four years of severe economic depression

Wanamaker opens Grand Depot in Philadelphia
Sets standard for lavish department stores in an era of increasing consumerism

1877–1878

The "Great Uprising" railroad strike
Massive strike spreads to several cities. Clashes between workers and police and soldiers leave dozens killed and millions of dollars in damage

Terence Powderly elected Grandmaster Workman of the Knights of Labor
Transforms KOL into a powerful industrial union with 700,000 members by 1886

Review Questions

1. What advantages did the United States possess in terms of resources, culture, technology, and public policy that facilitated industrialization after 1865?
2. Why were the Supreme Court and Congress so slow to take steps to curb the power of big business?
3. How was advertising transformed after 1865? What impact did it have on the Industrial Revolution?
4. Why did American workers have such a difficult time uniting to oppose abusive and exploitative employers?
5. In what ways did industrialization create new opportunities for women? How and why were these opportunities limited?
6. What events, ideas, and policies explain the sudden rise of the Knights of Labor in the 1880s? Why did it collapse almost as suddenly?
7. What was social Darwinism, and why did many business leaders and wealthy Americans embrace it?
8. What was the "self-made man" ideal, and why was it so popular in the late nineteenth century? On what basis did some Americans begin to challenge its validity?

1879–1882

Henry George publishes *Progress and Poverty*
The bestseller gives voice to the growing anxiety over growing social inequality

John D. Rockefeller creates the first trust
Becomes a key feature of modern business organization and target of social critics

1882–1883

Workers in New York City establish Labor Day
Reflects strengthening of labor movement and protest against growing inequality and exploitation

Railroads establish Standard Time zones. In 1886 they establish a standard track gauge
Reflects power of railroads and the trend of standardization in business

1884–1886

Knights of Labor wins strike against Wabash Railroad
Gains publicity and credibility for the KOL, leading to a surge in membership

Police and workers clash in Haymarket
Leads to nationwide crackdown on labor union activism

The American Federation of Labor founded
Workers in skilled trades separate from Knights of Labor

1889–1890

Andrew Carnegie publishes "The Gospel of Wealth"
Popularizes the belief that opportunity and upward mobility are available to all in an industrial society

Sherman Anti-Trust Act passed
Reflects popular mood that big business must be restrained; weak and ineffective

Key Terms

laissez-faire (French for "let do" or leave alone) A philosophy that argued that the government should impose no restraints on business. 471

corporation Businesses owned by people who buy shares of stock in the company. 472

monopoly The control of an industry or market by one corporation. 474

vertical integration Business organization where one company controls the main phases of production of a good, from acquiring raw materials to retailing the finished product. 475

horizontal integration Business organization where one company buys many other companies producing the same product to eliminate competition and achieve greater efficiency. 475

robber barons A pejorative name for big business leaders that suggested they grew rich by devious business practices, exploitation of workers, and political manipulation. 476

trust A legally binding deal bringing many companies in the same industry under the direction of a board of "trustees." 476

Sherman Anti-Trust Act Authorized the Justice Department to prosecute any illegal contract, combination, or conspiracy among corporations that eliminated competition or restrained free trade. 477

holding company A huge corporation that bought and ran other corporations by purchasing their stock. 477

depression A contraction of economic growth, widespread business failure, and high rates of unemployment lasting several years. 483

blacklist A list of workers that employers in a particular town or industry refused to hire because they were considered troublemakers. 485

socialism A theory that rejected capitalism and advocated common ownership of property and social and economic equality. 486

Chinese Exclusion Act An 1882 law barring Chinese immigration to the United States for ten years. Renewed several times. It remained in effect until 1943. 486

social Darwinism The belief that the principles of evolution, which Darwin had observed in nature, also applied to society. Advocates argued that individuals or groups achieve advantage over others as the result of biological superiority, an idea expressed as "survival of the fittest." 490

Knights of Labor A labor organization founded in 1869 that in the 1880s accepted workers of all trades and backgrounds and became the world's largest industrial union. 492

Haymarket Incident A violent incident touched off when a bomb exploded amid a group of policemen as they broke up a peaceful labor rally in Chicago's Haymarket Square on May 4, 1886. 493