

Ch 14 Section 3 Big Business and Labor

Carnegie's Innovations

Carnegie Makes a Fortune

- **Andrew Carnegie** one of first moguls to make own fortune

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; buying out raw material producers and distributors
- Through **horizontal integration** merges with competing companies
- Carnegie controls almost entire steel industry, donates most of his profits

Social Darwinism and Business

Principles of Social Darwinism

- Darwin's theory of biological evolution: the best-adapted survive
- **Social Darwinism**, or social evolution, based on Darwin's theory
- Economists use Social Darwinism to justify doctrine of laissez faire, discourage government regulation

A New Definition of Success

- Idea of survival, success of the most capable appeals to wealthy
- Notion of individual responsibility in line with Protestant ethic
- See riches as sign of God's favor; poor must be lazy, inferior

Fewer Control More

Growth and Consolidation

- Businesses try to control industry with mergers— buy out competitors, reduces competition
- 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

Rockefeller and the "Robber Barons"

- Rockefeller profits by paying low wages, underselling others
 - when controls market, raises prices
- Critics call industrialists robber barons
 - industrialists also become philanthropists

Sherman Antitrust Act

- Government thinks expanding corporations stifle free competition
- **Sherman Antitrust Act**: trust illegal if interferes with free trade
- Prosecuting companies difficult; government stops enforcing act

Business Boom Bypasses the South

- South recovering from Civil War, hindered by lack of capital
- North owns 90% of stock in RR, most profitable Southern businesses
- Business problems: high transport cost, tariffs, few skilled workers

Labor Unions Emerge

Long Hours and Danger

- Northern wages generally higher than Southern
- Exploitation, unsafe conditions unite workers across regions

- Most workers have 12 hour days, 6 day workweeks
 - perform repetitive, mind-dulling tasks
 - no vacation, sick leave, injury compensation
- To survive, families need all member to work, including children
- Sweatshops, tenement workshops often only jobs for women, children
 - require few skills; pay lowest wages

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, arbitration

Union Movements Diverge

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 workweek

Industrial Unionism

- Industrial unions include skilled, unskilled workers in an industry
- **Eugene V. Debs** forms American Railway Union; uses strikes

Socialism and the IWW

- Some labor activists turn 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 dignity, solidarity

Other Labor Activism in the West

- Japanese, Mexicans form Sugar Beet and Farm Laborers' Union in CA
- Wyoming Federation of Labor supports Chinese, Japanese miners

Strikes Turn Violent

The Great Strike of 1877 - Railroads

- Baltimore & Ohio Railroad strike spreads to other lines
- Governors say impeding interstate commerce; federal troops intervene

The Haymarket Affair

- 3,000 gather at Chicago's Haymarket Square, protest police brutality
- Violence ensues; 8 charged with inciting riot, convicted
- Public opinion turns against labor movement

The Homestead Strike

- 1892, Carnegie Steel workers strike over pay cuts
- Win battle against Pinkertons; National Guard reopens plant
- Steelworkers do not remobilize for 45 years

The Pullman Company Strike

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

- Pullman refuses arbitration; violence ensues; federal troops sent
- Debs jailed, most workers fired, many blacklisted

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 fire, 146 female workers die, results in public outrage
- Results in changes in local labor laws for women and children

Management and Government Pressure Unions

- Employers forbid unions; turn Sherman Antitrust Act against labor
- Legal limitations cripple unions, but membership rises