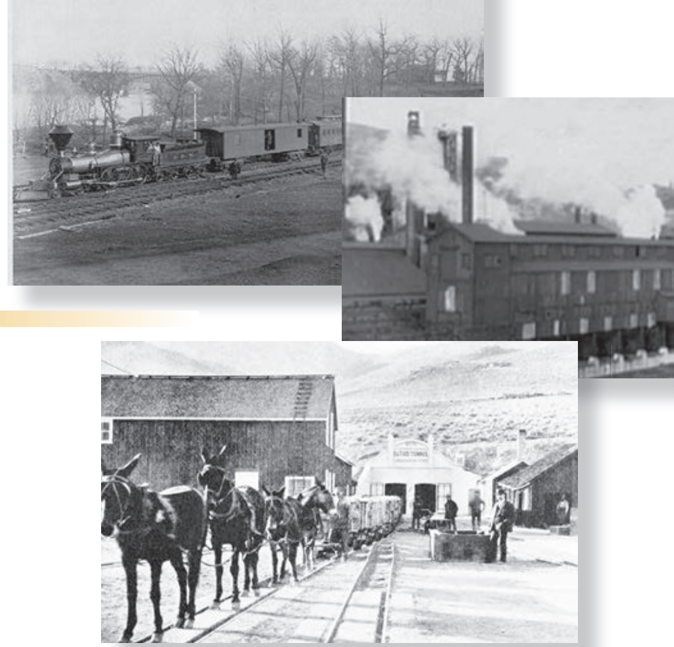
Chapter 16



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The Age of Big Business and the Last Frontier, 1865–1900

Chapter Outline

16.1 The American Industrial Revolution

16.1a The Effect of the Civil War

The Civil War was fought during a long-term trend of industrial and technological growth. Between 1839 and 1899, total output for commodities—including agricultural products—increased elevenfold, or at an average rate per decade of slightly less than 50 percent. Growth rates, however, varied widely from decade to decade. The 1840s and 1880s were periods of considerably more rapid advance than the 1850s, 1860s, and 1870s, with the lowest level of industrial growth occurring during the decade of the Civil War. Nevertheless, the government gave strong encouragement to entrepreneurs during the Civil War. The Republican Party, seeking the votes of businessmen in the 1860 campaign, promised them favorable legislation. Once in power, the Republicans carried out their pledges through tariff, railway, banking, and immigration legislation that created conditions suitable for industrial capitalism.

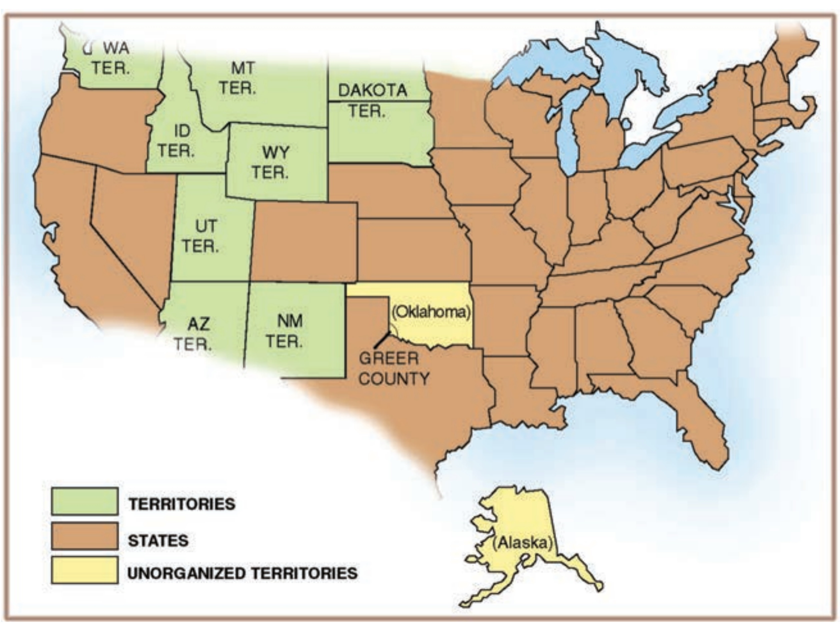
16.1b The Post-Civil War Boom

A number of factors were responsible for the post-Civil War industrial boom. The United States possessed bountiful raw materials, and the government was willing to turn them over to industry for little or no money. Coupled with the abundance of natural resources and continuing technological progress was a home market steadily expanding through immigration and a high birth rate. Both capital and labor were plentiful. In the years before the war, increase in trade and manufacturing in the Northeast produced an accumulation of savings, while additional millions of dollars entered the American economy from European investors.

16.1c The Role of Government in Business

One factor in the growth of industrialism was the protective tariff—beginning with the Morrill Tariff of 1861 and then expanded by the McKinley Tariff bill of 1890, the Wilson-Gorman Tariff Act of 1894, and the Dingley Tariff of 1897—which allowed American manufacturers to charge high prices without being undercut by foreign competition. Businesses also received grants of land and of natural resources. While these measures can be considered a sign of governmental favoritism toward business at the expense of farmers and labor unions, they can also be seen as a way of encouraging economic growth—a traditional policy of American government since the days of the Federalists. For example, over the years the railroads were granted over 180 million acres of federal land (in other words, an area of acreage larger than the state of Texas); the railroads then reaped huge profits by selling the land to settlers who purchased land in the West along the rail lines.

Map 16.1 Territorial Growth (1880)



Equally friendly to the development of business was the lax public control of it. The doctrine of *laissez faire*—the idea that the government that governs least, governs best—was the dominant view of the time. The advocates of laissez faire expected that the unrestrained free market was best able to solve societal problems and that government intervention into the free market hindered the market's ability to provide solutions. Meanwhile, Social Darwinists applied Darwin's principles of survival of the fittest to humans; hence, there would be no reason to intervene into the free market to help the poor. Instead, the poor were understood to be in their condition because they were naturally inferior—a condition that could not be corrected through government intervention. Consequently, there were few investigations into business practices, no legislation to protect consumers, and few effective regulatory commissions or laws. Businessmen knew that almost any action could be justified by the doctrines of **Social Darwinism** and laissez faire; and most Americans in the Gilded Age considered governmental regulation of business to be unnecessary, unjust, and even immoral. With cheerful inconsistency, however, the business leaders who championed laissez faire welcomed governmental intervention in the economy in the form of tariffs, grants, and subsidies—measures that clearly violated laissez-faire doctrine. The negative effects of laissez faire, however, were corporate corruption, worker exploitation, unsafe consumer products, and rampant degradation of the environment. Laissez faire also meant that the inevitable economic recessions were especially harsh since there were no social safety nets (such as unemployment insurance); and the Social Darwinist outlook dictated that efforts to help the poor were doomed to failure because poverty itself proved that the poor and unemployed were naturally inferior. Any effort to help them was therefore akin to "casting pearls before swine."

Social Darwinism
The application of Darwin's principles of natural selection to humans and to the idea that some groups of humans are more evolved than others

Slaughterhouse Cases of 1873
Allowed the state to grant a monopoly to a business that is in the public interest and limited the Fourteenth Amendment rights of blacks, distinguishing between national and state citizenship

Munn v. Illinois
Approved an Illinois law that allowed state regulation of railroads and fixed maximum storage rates for grain elevators on the grounds that a state could regulate "a business that is public in nature though privately owned and managed"

Wabash v. Illinois
Ruled that since railroads crossed state boundaries, they fall outside the realm of state jurisdiction and into the federal realm because Congress was granted the exclusive powers to regulate interstate commerce

16.1d The Role of the Courts

Also beneficial to the growth of business was the protection given to commerce by the Supreme Court in its interpretation of the Fourteenth Amendment. This amendment was presumably designed to safeguard the newly emancipated blacks. But the original intent of the amendment somehow disappeared, and it became instead a refuge for private enterprise.

In the first postwar cases involving the question of governmental regulation of business, the Court interpreted the "due process" clause of the Fourteenth Amendment as being in favor of state government protection of corporate monopoly. In the **Slaughterhouse Cases of 1873**—involving a Louisiana law that granted a monopoly of the slaughterhouse business in New Orleans to one corporation—the Court declared the law to be a legitimate exercise of the police powers of the state to protect citizens. The Court also significantly weakened the federal government's ability to protect black Americans under the Fourteenth Amendment by making a distinction between national and state citizenship. The Court ruled that the Fourteenth Amendment protected only those rights that stemmed from the federal government under the U.S. Constitution, such as the right to vote in federal elections. Most rights, however, remained the jurisdiction of the states, thus severely limiting federal protections of the rights of all Americans—but especially of former slaves.

Even when the Supreme Court ruled against big business—as in ***Munn v. Illinois*** (1877) where the Court approved an Illinois law that allowed state regulation of railroads and fixed maximum storage rates for grain elevators on the grounds that a state could regulate "a business that is public in nature though privately owned and managed"—the power of big business ensured that the ruling would not last long. The *Munn v. Illinois* decision so alarmed American businessmen that some predicted the end of private property. Others believed that the only remedy lay in a constitutional amendment to protect business against state regulation. Then a change occurred in the make-up of the Court with the appointment of more conservative justices. The *Munn v. Illinois* decision was reversed by the Court in 1886 in ***Wabash v. Illinois***, where the Court ruled that since railroads crossed state boundaries, they fell outside the realm of state jurisdiction and into the federal realm because Congress had exclusive powers to regulate interstate commerce.

Pictured is the restored old Supreme Court Chamber in the U.S. Capitol. Here, decisions were made that affected the growth and legality of new businesses and regulated business owners and their practices. (Wikimedia Commons)

The end of the depression years of the mid-eighties quieted demands from farmers (who had pushed for federal regulation of railroads and grain elevators); and a series of decisions, beginning with the *Santa Clara* case of 1886 and culminating in *Smyth v. Ames* in 1898, made the Fourteenth Amendment into something quite new. In these cases, the Court greatly broadened the interpretation of the amendment by holding that the word *person* in its first section meant corporations as well as individuals. As such, corporations became "persons" under the law, endowed with standing to sue, which labor unions did not have—thus giving corporations an edge in their legal battles with organized labor. The Court also widened the application of the "due process" clause (which had originally been intended only to prohibit confiscation of property or other arbitrary violations of individual rights) to invalidate any regulation that would prohibit a corporation from making a "reasonable" profit on its investment. Finally, the Court held that the courts and not the states should decide how much profit was reasonable. Thus it became corporations, rather than the former slaves, whose "rights" were protected by the Fourteenth Amendment.

16.2 The Railroad Age

The new industrialism could never have been possible without the tremendous expansion of the railroad systems in America. Between 1831 and 1861, thirty thousand miles of railroad created a network connecting the Atlantic seaboard and the Mississippi River Valley. The war slowed down construction, but between 1867 and 1873 another thirty-thousand miles of railroad were added—and during the 1880s, a record-breaking seventy-three thousand miles were constructed. In 1900 the American railroad system—extending into every section of the country—measured 193,000 miles. This represented 40 percent of the world's railroad mileage and was more than the mileage of all European countries combined. Railroad building increased more rapidly than the population. In 1865, there was one mile of track in operation for every 1,150 Americans. Twenty years later, there was one mile for every 450. The amount of capital invested in railroads jumped in this period from $2 billion to nearly $10 billion.

Map 16.2 The Railroad Network (1885)

After the war, most of the short lines were consolidated into a few large systems, with **Cornelius Vanderbilt** leading the way. Before his death in 1877, he had extended the New York Central System to Chicago, offering improved service at reduced rates.

The New York Central's chief competitor was the Pennsylvania Railroad, which became the most important railroad and one of the foremost business enterprises in the country. At the end of the nineteenth century, the Pennsylvania had lines tapping the most important Mid-Atlantic and north central industrial centers. Even though the Erie Railroad was also a competitor for much of this traffic, in the 1860s and 1870s it suffered from being in the hands of three of the most disreputable railroad manipulators of the era: Daniel Drew, **Jay Gould**, and Jim Fisk. Through bribery, chicanery, and fraud they made the Erie synonymous with all of the vices of the Industrial Revolution. Of the notorious business manipulators, perhaps the most important was Jay Gould.

Gould was primarily a speculator who invested money in everything from gold, to stocks, to railroads. Gould purchased his first railroad at age 24 and then sold it two years later at a profit of $130,000. Bolstered by this success, Gould purchased stock in other railroads—normally buying enough to take control of railroad operations, then dropping his prices to the point that his competitors could not make a profit. Gould would then sell his stock to competitors who desired to rid themselves of the cheap competition. Gould's primary purpose was simply to purchase railroads and sell them at a profit, but his methods caused consolidation in the industry and forced his competitors to expand their operations in order to keep pace.

Consolidation enabled the Baltimore and Ohio Railroad to push into the Midwest, and the New York, New Haven, and Hartford Railroad to fan out into New England. By 1900 railroad consolidation had reached such vast proportions that more than two-thirds of the railroad mileage of the country was controlled by groups led by Cornelius Vanderbilt, James J. Hill, E. H. Harriman, Jay Gould, **John D. Rockefeller**, and John Pierpont Morgan. The end result was exponential expansion, not only in miles of railroad track, but also in the size of corporations. In the 1870s, the Pennsylvania Railroad alone employed over 55,000 workers and had a stock value of over $400 million, making it the largest corporation in the world at the time.

Gould's competitive practices induced other railroads to engage in collusion and set up what were known as "pool" agreements, whereby they essentially divided the map into separate areas for each—promising not to compete in each other's areas so that each could set prices high. Pool agreements normally did not hold, however, as competing railroads seeking an edge tended to violate their own agreements and undercut their competition.

The railroad magnates accumulated great personal wealth, and Gould's unsavory practices may have made him the "richest man in America" by the time of his death in 1892. Upon his death, newspapers proclaimed that the country had lost the "world's richest man"; his net worth was estimated at over $100 million at a time when the average wage in America was $600 per year. Competitor Cornelius Vanderbilt, who built both the largest house in America (the Biltmore near Asheville, North Carolina) and the New York Central Railroad, proclaimed Gould to be the "smartest man in America." Gould, however, perhaps put it more accurately when he described himself as "the most hated man in America" shortly before he died.

Pictured here is the Pennsylvania Railroad in West Philadelphia. (Library of Congress, LC-USZ62-57212)

Cornelius Vanderbilt
Railroad magnate and owner of the Biltmore, the largest house in America

Jay Gould
Railroad magnate, investor, and "Robber Baron," and once proclaimed to be the "world's richest man"

John D. Rockefeller
Founder of Standard Oil and the wealthiest man in the world

Captions of Industry
Leading industrial and finance capitalists, such as John Rockefeller, Andrew Carnegie, and J. P. Morgan

Robber Barons
Capitalists who achieved their success, at least partially, through graft and corruption

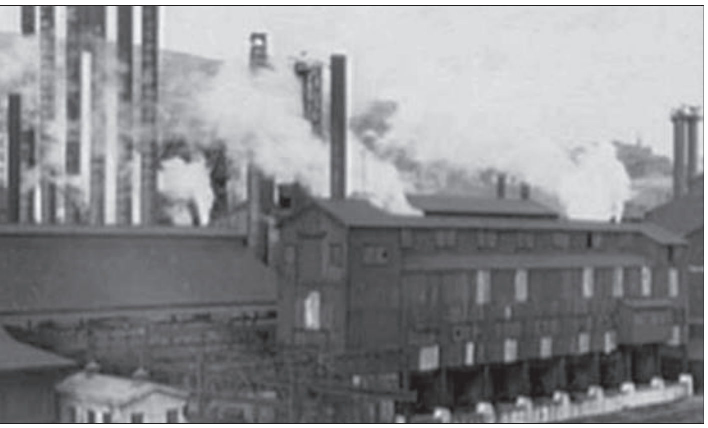
Andrew Carnegie
Scottish immigrant who became America's number one manufacturer of steel

16.3 The Industrialists

16.3a "Robber Barons" or "Captains of Industry"?

The new industrialists were ambitious, resourceful, and extremely able—but at times they were also ruthless and dishonest. In their day, they were known as **Captains of Industry** and were praised for their contributions to the economic growth of modern America. In time, however, they came to be described in many quarters as **Robber Barons**, who exploited the working class and exacted tribute from the public.

Few of the industrialists were guided by morality and ethics. To eliminate competitors and get around legal and political obstacles, they did not hesitate to use trickery, bribery, and corruption. Their attitude toward complaints about their methods was summed up in William Vanderbilt's famous reply to a reporter's questions about the motives for his management of the railroads: "The public be damned." These so-called Robber Barons were a product of their time—an era of lax regulation, when many activities now judged as unscrupulous were perfectly legal. Probably even the worst and coarsest of their activities reflected the dominant Social Darwinist mores of American society in the Gilded Age. While they used wasteful and ruthless methods to promote economic development, some still regard these businessmen as creative agents in economic change whose long-run material contributions to society outweighed their short-run self-serving activities. Of course, the historians making such arguments have never had to work 72-hour weeks in nineteenth century steel mills. Whether "Captains of Industry" or "Robber Barons," it cannot be denied that these men were launching the beginnings of a great economic expansion and economical mass production—and yet they did so very much on the backs of exploited American workers.



Pictured here is a nineteenth century steel mill. Some employees worked 72-hour workweeks in these facilities. Such practices, though unlawful today, were accepted as perfectly legal in the late 1800s. (Library of Congress)

In the Gilded Age Americans had great faith in the rags-to-riches story. Andrew Carnegie's success—climbing from the lowly position of immigrant bobbin-boy in a cotton textile mill, at the wage of $1.20 a week, to that of multimillionaire of the American steel industry—is the classic American story of the poor boy making good. Carnegie's *Autobiography* and the work of historians helped to keep alive for many years the "rags-to-riches" dream and the belief that the Captains of Industry came from poor, immigrant, rural, uneducated families, without social advantages—that, in fact, they became rich and powerful by pulling themselves up not only by their own bootstraps but also by a strict adherence to the Calvinist ethics of hard work, thrift, chastity, and abstinence. New research, however, has shown that the bulk of business leaders came from white Anglo-Saxon Protestant, urban, northeastern, educated professional and business families. It seems that the doors of business success were not generally opened to immigrants, farm boys, or youths of poor education and background—Andrew Carnegie being a noteworthy exception.

Andrew Carnegie was the epitome of the 'rags to riches' dream. Carnegie started in the lowly position of immigrant bobbin-boy in a cotton textile mill at the wage of $1.20 per week and worked his way up to be a multimillionaire of the American steel industry. (Wikimedia Commons)

While these tycoons accumulated large fortunes, many insisted they were not materialistic. "I know of nothing more despicable and pathetic than a man who devotes all the waking hours of the day to making money for money's sake," wrote John D. Rockefeller in his *Reminiscences*. He maintained it was "the association with interesting and quick-minded men," not money alone, that prompted him to follow his course to success. Critics point out, however, that Rockefeller was less disinterested in profit when the federal government moved to break up his Standard Oil monopoly. **Andrew Carnegie** expressed a similar view when he said that many of his "clever partners" in the steel business had been his friends from boyhood. He emphasized the joy he found in "manufacturing something and giving employment to many men." While Carnegie may have been speaking the truth, critics argue that he was less caring and sympathetic to his steel mill workers during labor disputes, such as the famous **Homestead Steel Mill Strike**.

A number of the new industrialists were of military age during the Civil War, but most of them took advantage of a law that allowed them to hire a substitute or to pay a certain amount of money in lieu of military service. Writing from Pittsburgh in 1863, Thomas Mellon (the founder of an aluminum fortune) declared, "Such opportunities for making money had never existed before in all my former experience." When his son James asked permission to enlist, the elder Mellon wrote, "Don't do it. It is only greenhorns who enlist. Those who are able to pay for substitutes do so, and no discredit attaches."

Simon Cameron, as secretary of war during the Civil War, handed out war contracts left and right and asked only for production in return. As a result, gigantic frauds and great fortunes resulted from shoddy contracts and shady deals. For example, Cornelius Vanderbilt supplied the government with leaky ships; and **J. P. Morgan** (who was 24 years old in 1861) purchased five thousand discarded carbines and sold them back to the army for $112,000. Both Morgan's and Vanderbilt's deals were exposed, but neither was punished. Similarly, Jim Fisk went south to smuggle cotton and sell it in the North for large profits. Jay Gould's inside information enabled him to cash in on railroad deals and speculation in gold. Hence, the term "Robber Barons" is, in many cases, at least as accurate as "Captains of Industry"—and many business leaders of the period were worthy of both labels.

Homestead Steel Mill Strike
1892 strike against Andrew Carnegie's steel mill that was put down by the Pennsylvania National Guard

J. P. Morgan
Leading financier and railroad magnate of the Gilded Age

Trusts
Monopolistic corporate structures that helped corporations evade antimonopoly laws

16.3b The Trust

After the war, businessmen sought ways to check increasing competition, which they had come to regard as inefficient, wasteful, and threatening to their profits. They established trade agreements, associations, and pools to limit competition. Because, however, these devices depended upon voluntary cooperation and were not enforceable in the courts, none proved sufficiently reliable. The answer seemed to lie in the formation of industrial **trusts**, which provided businessmen with more efficient control over the policies of all members within a single industry. Under the trust system, the stock of several competing companies was placed under the control of a group of trustees in exchange for trustee certificates. Ownership remained with the original companies, but management was consolidated in a single board of directors. John D. Rockefeller was by far the most important figure in the trust movement, and the formation of his Standard Oil Trust in 1882 established the trust pattern in the United States. Standard Oil's chief attorney, T. C. Dodd, established a board of nine trustees empowered to "hold, control, and manage" all of Standard Oil's assets. Stockholders in Standard Oil then exchanged their Standard Oil stock for trust certificates—essentially stock in the trust—on which dividends were paid. Rockefeller's trustees held stock in numerous oil refinery companies "in trust" for Standard Oil Company stockholders. Rockefeller's trustees then coordinated policy among all the refineries, ensuring that they would all follow the same policies—essentially giving Rockefeller controlling interest in virtually all oil refineries in America.

Pictured here is a Standard Oil Trust Certificate, 1896. Established by John D. Rockefeller, Standard Oil Trust made its CEO the first man in the United States to be worth more than $1 billion. (Wikimedia Commons)

Other companies copied Standard's trust structure; and soon trusts existed in the railroad, whiskey, lead, sugar, and other industries. The word *trust* became synonymous with the word *monopoly,* but it must be remembered that Rockefeller had essentially established a monopoly in oil refining in America prior to the reorganization of Standard Oil as a trust.

16.3c John D. Rockefeller and the Standard Oil Trust

At age 14, John D. Rockefeller received his pay from his first pay period on his first job; he gave 10 percent to God, kept 50 percent for himself, and put 40 percent in savings—a practice he would continue essentially for the rest of his life. By age 19, Rockefeller had enough saved that he was able to purchase a produce business in Cleveland, Ohio. Finding success in the produce business, at age 23 he decided to enter the oil industry during the Civil War by purchasing an oil refinery in Cleveland. Here he found violence, lawlessness, and waste, and—being no exponent of such free enterprise—he took steps to end this competitive strife. Rockefeller considered competition itself to be wasteful, and small-scale enterprises to be inefficient. In his view, the wave of the future would be consolidation of small businesses into the large corporation. Rockefeller adopted the most efficient methods of production, regularly saved a part of his profits, and surrounded himself with some of the ablest men in the industry. It was said that Rockefeller himself "could see farther ahead than any of them, and then see around the corner." Rockefeller's mantras were "nothing in haste, nothing ill-done," and "your future hangs on every day that passes." Rockefeller paid attention to minute details, counting rivets in oilcans and stoppers in barrels. In one famous case of efficiency, Rockefeller experimented with exactly how many drops of solder were required on kerosene cans to prevent them from leaking; he reduced the number of welds through trial and error from forty to thirty-nine. In another instance, Rockefeller found that he could shorten barrel hoops to save metal. Meanwhile, he employed a chemist, Herman Frasch, who made numerous advancements in increasing the efficiency of refining oil. Rockefeller would triumph over his competition by providing better products at lower costs—a sound path to business success.

Rockefeller threatened his competitors and bribed politicians when necessary. He also employed spies to harass the customers of competing refiners. Some view the rise of Standard Oil as a rise of unfair trade practices, railroad favors, bribery, and blackmail. (Wikimedia Commons)

By 1867 Rockefeller was the largest refiner of oil in Cleveland, and in 1870 he organized the Standard Oil Company of Ohio with a capitalization of $1 million. This was the original *trust,* and the term came to be applied to any large combination with monopolistic powers. With his trust, Rockefeller soon eliminated his Ohio competitors. He now proceeded to take on refiners in New York, Pittsburgh, and Philadelphia. Those who accepted Rockefeller's terms shared in the large profits. Those who continued to resist him were attacked with every weapon in cutthroat competitive warfare. He usually crushed his competitors with ruthless price-cutting, but he also had an immense competitive advantage in the rebates[1] and drawbacks[2] he received from the railroads. By 1879 Rockefeller controlled about 90 percent of America's refining industry.

Of all the trusts that appeared in the eighties and nineties, none aroused more alarms or pointed to more moral issues than the Standard Oil Trust. Indeed, Rockefeller threatened his competitors and bribed politicians when necessary. He also employed spies to harass the customers of competing refiners. Hence, some writers see in the rise of Standard Oil a dark record of unfair trade practices, railroad favors, bribery and blackmail, and an alliance between the corporation and politics by which legislators, officials, and judges closed their eyes to practices that violated the law. Others have argued that Standard Oil straightened out a disorderly industry and lowered prices and created a great industry by introducing efficiency and competency. Both sides, however, agree that Standard's methods were frequently ruthless.

[1] *Powerful industrial shippers, in a strong bargaining position with railroads, often demanded—and received—secret "rebates," or discounts, from publicly posted shipping rates. Rebates sometimes were given in return for a specified volume of business or in return for the shipper's distributing his traffic in accordance with a pooling agreement made among competing lines.*

[2] *In exchange for the privilege of transporting the freight of a large shipper (e.g., Standard Oil), railroads agreed to pay the shipper "drawbacks," or subsidies drawn from a percentage of all receipts of its competitors.*

Rockefeller did not just focus on **horizontal integration** (i.e., taking over competing refineries until he completely dominated the oil refining industry) but also pursued **vertical integration**, owning every phase of the oil exploration, production, manufacturing, transportation, and marketing industries. Standard Oil therefore not only owned refineries, but also timberlands, drilling rigs, barrel and chemical plants, pipelines, and rail cars. Standard also exported oil across the oceans to Asia, Africa, and South America. Rockefeller retired in 1897 with a fortune approaching $1 billion. Eventually, it is estimated that Rockefeller would control 2 percent of the gross domestic product of the United States.

Be that as it may, in 1892 the Supreme Court of Ohio ordered the dissolution of the Standard Oil Trust on the grounds that it was designed to "establish a virtual monopoly" and was "contrary to the policy of our state." However, this decision did not produce the desired results because the Standard trustees—although they returned the stock to the stockholders—continued to manage the member concerns as "liquidating trustees" until 1897.

Prior to this, in 1889, New Jersey had changed its corporation laws in such a way as to make legal the formation of a **holding company**—a company that owned a majority of the stock in a number of subsidiary corporations and was established to unify their control. Put simply, a holding company was a corporation that owned controlling interest in other companies. In 1899, the various subsidiaries of Standard were legally combined through the creation of a giant holding company, the Standard Oil Company of New Jersey, capitalized at $110 million. Standard's control over the refining business continued as complete as ever. In 1911, the United States Supreme Court held that Standard had violated the 1890 **Sherman Antitrust Act** after the Court adopted the "rule of reason," whereby any combination that placed a "reasonable" restraint on trade could be in violation. Nevertheless, this decision—like earlier ones in state courts—was generally viewed as a pro-business decision, though it broke Standard up into thirty-four different companies.

Horizontal integration
The domination of one segment of a particular industry by a single company, such as Rockefeller's monopoly on oil refining

Vertical integration
The domination of all segments of a particular industry, such as Rockefeller's expansion from refining into exploration, transport, and retailing of oil

Holding company
Corporation that owns other companies

Sherman Antitrust Act
Designed to combat monopolies, the act declared that "any combination in restraint of trade" was illegal.

Bessemer process
Henry Bessemer's process for the purification of steel by blowing air into the mixture and burning off the impurities

16.3d Carnegie and Steel

Andrew Carnegie immigrated to America from Scotland in 1848, and at age 12 quickly went to work in a Pennsylvania cotton mill for $1.20 per week. From there, Carnegie took a job in a telegraph office where he worked until 1852 when he was offered a job by Thomas A. Scott of the Pennsylvania Railroad as Scott's personal telegrapher. Seven years later, Carnegie had risen to become a well-paid superintendent for the railroad; and by 1868, Carnegie's income was upwards of $50,000 per year. Over the course of the 1860s, Carnegie amassed a fortune of over $1 million from shrewd investments and by the end of the decade had enough to build a steel mill.

Just as Rockefeller captured the refining market from his competitors, so Andrew Carnegie captured much of the steel market—although he never achieved a complete monopoly. Like Rockefeller, however, Carnegie gained an edge over his competitors by finding a more efficient way to make his product. Upon purchasing his first steel mill, Carnegie was surprised to discover that there was no hard and fast recipe for steel; consequently, he hired chemists to determine the exact ingredients that would produce the best mix. Carnegie also instituted the **Bessemer process**, a method of eliminating the impurities in steel developed by Henry Bessemer in 1859. Bessemer discovered that blowing a stream of air into a mass of molten iron caused carbon and other impurities to combine with oxygen and burn off. When measured amounts of carbon, silicon, and manganese were then added to the purified iron, higher quality steel resulted. Soon, Carnegie was producing top quality steel from waste discarded by his competitors. When Carnegie first introduced the Bessemer process into his steel mill in the 1870s, the price of steel dropped 50 percent. As more technological innovations were introduced, the price of steel eventually declined from $100 per ton in the 1870s to $12 per ton by 1890.

As his steel enterprise grew, Carnegie found that he could get ahead of the competition by expanding his business during slow times when purchasing a competing steel mill was less expensive. Given that the steel industry in the late nineteenth century was very prone to boom-bust cycles, Carnegie was able to expand quickly and greatly during the bust cycles when others were selling off their assets. By 1890, steel had become a cheaper, stronger, and more durable material than iron; and its greater malleability lent

E. C. Knight Company
Controlled 98 percent of America's sugar manufacturing in 1895

Edward Bellamy
Wrote *Looking Backward* (1887) in which he assailed the economic conditions of the time and pictured a future socialist utopian state where life's necessities and luxuries would be produced by a cooperative society for the benefit of all

Henry George
Wrote *Progress and Poverty* (1879) in which he maintained that the problems of the times were largely the result of a monopoly of land

the metal to new uses. Railroads converted their rails from iron to steel, and bridges were soon designed with steel cables. Eventually, steel would be used to frame high-rise buildings in American cities, as well as for all forms of wire, nails, bolts, nuts, and screws.

Like Rockefeller, Carnegie secured rebates from the railroads. He also was materially aided by the depression of the seventies, when he bought out investors in his own steel enterprises that were short of capital. From this time on, Carnegie led the field in the steel industry. He bought out and took into his business Henry Clay Frick, who in the seventies had gained control of most of the coke ovens around Pittsburgh. Together they created a great vertical combine of coal fields, coke ovens, limestone deposits, iron mines, ore ships, and railroads. In 1892 the Carnegie Steel Company was formed at a capitalization of $25 million. It controlled all its sources of supply and was soon making one-fourth of all unfinished steel in the United States. At the turn of the century, it became a New Jersey corporation with a capitalization of $160 million.

Carnegie was essentially an *industrial capitalist* in that his money came from industry and not from bankers. He put a large part of his profits back into his business, and he did not allow his corporation's stock to be sold to persons outside his organization. He was successful because of his efficient business methods and driving energy and because he skillfully chose partners of almost equal ability, such as Frick and Charles Schwab. Carnegie was willing to make innovations in methods and machinery, and ready to discard equipment whenever better came along. His labor policy, however—like that of most of the corporate leaders of this era—was one of long hours, low wages, and hostility toward trade unions.

Carnegie believed that it was a disgrace to die rich and desired to retire and engage in philanthropic work. In 1901, Carnegie sold out to J. P. Morgan. Morgan had reportedly asked Carnegie's associate, Charles M. Schwab, to "go and find his price." Schwab then discussed the matter with Carnegie on the golf course and the next day Carnegie handed Schwab a note hand-written in pencil asking for almost a half billion dollars. Upon viewing the note, Morgan exclaimed, "I accept this price!" The owners of Carnegie Steel received $492 million, of which $250 million went to Carnegie alone. According to legend, Carnegie later teased Morgan, stating that he should have asked for $100 million more, to which Morgan replied, "You would have got it if you had."

16.3e The Growth of Trusts

Soon after Standard Oil Company had set the trust pattern, other business enterprises of this type appeared. The McCormick Harvester Company of Chicago secured almost a monopoly of mechanical farm equipment. James B. Duke's American Tobacco Company and Henry O. Havemeyer's American Sugar Refining Company gained almost complete monopolies, while Philip D. Armour and Gustavus Swift won domination of the meat packing business. **E. C. Knight Company** controlled 98 percent of the sugar manufacturing in the United States. Other consumer goods controlled by trusts were salt, whisky, matches, crackers, wire, and nails.

Eventually, prosecution by states or state legislation declaring trusts illegal ended these organizations, but the term *trust* continued in use and applied to any type of monopoly. Many of the former trusts reorganized themselves into holding companies under the friendly corporate laws of New Jersey. Others became corporate combines created by mergers of separate firms.

16.3f Opposition to the Trusts

There arose a popular outcry against monopolies, and by the eighties public speakers and writers began to condemn them. In 1881 Henry D. Lloyd attacked the Standard Oil Trust in "The Story of a Great Monopoly" in the *Atlantic Monthly.* **Edward Bellamy** in his *Looking Backward* (1887) assailed economic conditions of the time and pictured a future socialist utopian state where life's necessities and luxuries would be produced by a cooperative society for the benefit of all. **Henry George** in his *Progress and Poverty* (1879) maintained that the problems of the times were largely the result of a monopoly of land. George proposed that the unearned increments in land values be confiscated by the government in the form of a single tax on land.

During the 1880s a number of states passed laws prohibiting trusts, but these failed to check the increasing concentration of industry. Some trusts appeared more powerful than the states that attempted to regulate them; and when one device for creating monopoly ran afoul of the law, another was substituted. State legislation also proved ineffective so long as such states as New Jersey, Delaware, and West Virginia placed few restrictions on the chartering of corporations and permitted the creation of holding companies.

Interstate Commerce Act of 1887
Created the first federal regulatory agency, in 1887, to regulate the railroads

16.3g The Interstate Commerce Act

These frustrations aroused the opponents of monopoly to demand federal action. Between 1873 and 1885, more than thirty measures were introduced in the House of Representatives providing for the regulation of interstate railroads—an economic sector in which there were frequent abuses. Railroads discriminated significantly in the rates they charged on routes where they had competition as opposed to those where they did not. In general, railroads would charge very low rates where they had competition. Yet on routes where they had none, the prices they set were exorbitant, placing extreme burdens on farmers and shippers from remote areas. For instance, the dome for the Texas State Capitol in Austin, Texas, was made in Belgium, but it cost more to ship the dome via rail from Houston to Austin than it did to transport it from Belgium to Texas via cargo ship. Farmers and shippers in remote areas—along with railroads who faced competition from other railroads that charged low prices in one area to force out competitors, while making up for it with the high rates charged elsewhere—pressured Congress to intervene.

This pressure—together with the Supreme Court's *Wabash* decision in 1886, forbidding the states to continue their regulation of *interstate* railroad traffic—led to the **Interstate Commerce Act of 1887**. This law provided that all railway rates "shall be reasonable and just." It prohibited such discriminatory practices as rebates and drawbacks and made illegal some of the long and short haul abuses[3]. It forbade pooling agreements and required that all rates and fares be printed and publicly posted. The act established a five-man Interstate Commerce Commission (I.C.C.), the first federal regulatory agency, with power to investigate the railroads and to require reports from them. The commission could hear complaints of violations of the law, but could not impose fines, cease and desist orders, or other penalties by itself. Instead, it had to depend upon the courts to enforce its rulings, and the five-member commission was overwhelmed with thousands of petitions. Thus, the I.C.C. did not receive the powers necessary to regulate the transportation system. Also, the commissioners were virtually required by the act to be inexperienced in railroad practices, so they had difficulties fully understanding and acting on the complaints of the shippers. The chief weakness of the law, however, was its vagueness in not defining "reasonable and just" rates. The I.C.C. soon discovered that it could not compel witnesses to testify and that appeals to the courts produced endless delays. Even in those cases that reached the Supreme Court, the decisions generally favored the railroads over the I.C.C. Between 1887 and 1905, the Court heard sixteen cases appealed by the I.C.C.—and in fifteen of those cases, it ruled in favor of the railroads.

16.3h The Sherman Antitrust Act

In 1890 Congress passed the Sherman Antitrust Act, another departure from laissez-faire policies, by an almost unanimous vote. The act declared that "every contract, combination in the form of trust or otherwise, or conspiracy in restraint of trade or commerce" was illegal. It was left to the courts, however, to determine the meaning of the terms and phrases in the law—and it could not be enforced without the cooperation of the attorney general.

[3] *Long and short haul abuse was the practice of railroads charging rates based not on operating costs but on what the public could be forced to pay. Over "long hauls"—e.g., from Chicago to New York—competition between railroads was keen and freight charges were low (sometimes lower than operating costs); but over "short hauls"—i.e., between local points serviced by only one line—a railroad, in a noncompetitive situation, could charge rates as high as the public could bear, thereby recouping whatever losses it might have suffered on long hauls.*

United States v. E. C. Knight Co.
Declared that manufacturing was exempt from prosecution under the Sherman Antitrust Act because manufacturing was not "commerce"

Thomas Edison
Inventor who held over a thousand patents—including those for the electric light bulb, phonograph, and motion pictures

George Westinghouse
Inventor of the air brake

Alexander Graham Bell
Inventor of the telephone

Consequently, the act generally was not enforced. From 1890 to 1901 the Justice Department instituted only eighteen antitrust suits; and the Supreme Court—in ***United States v. E. C. Knight Co.*** (1895)—undermined the law by holding that manufacturing, being wholly intrastate in character even though ultimately affecting interstate commerce, was not subject to federal regulation. This limited definition of the "commerce clause" in the Constitution put manufacturing trusts beyond federal control; hence, the E. C. Knight Company that at the time controlled 98 percent of sugar manufacturing in the U.S. could not be broken up as a monopoly by the federal government because "manufacturing" was not "interstate commerce" under the definition of the Supreme Court.

16.3i Edison, Electricity, and Inventions

Perhaps the greatest inventor in American history—and one who had an almost unparalleled impact on American life with his inventions—was **Thomas Edison** of Menlo Park, New Jersey. Edison was a tireless worker who slept only three to four hours per night, spending the rest of his time in his laboratory, vowing to produce a "minor invention every ten days and a big thing every six months or so." At the height of his inventing career, Edison employed as many as two hundred chemists, machinists, engineers, and experimenters, and averaged a patent every eleven days. He provided the world with "big" inventions that included not only the electric light bulb but also the phonograph and the motion picture camera—all three of which would eventually change America and the world indelibly. In his lifetime, Edison would own over a thousand patents, including the mimeograph and the electric storage battery. Furthermore, although it was Ben Franklin who discovered that lightning was electricity in the eighteenth century, it was Edison who, along with competitor **George Westinghouse**, harnessed electricity as a power source to fuel not only electric lights but also factory machinery, urban trolleys, and a host of other items common in urban America at the turn of the century. Edison built his first electric power station in New York in 1882, and by 1898 there were over three thousand electric power stations supplying electricity to homes and industries all over the country. Electricity would transform American industry from one that was fueled primarily by water power in 1900, to one that was driven primarily by electricity by 1930.

Edison did not amass the type of fortune that one might imagine from his inventions. Patent laws in the late nineteenth century provided Edison with far less protection than Edison had expected, and he spent the next four decades after the invention of his incandescent bulb in patent lawsuits. In the words of Edison, "My electric light inventions have brought me no profits, only forty years of litigation." Nevertheless, in 1892 Edison and his competitor, Thomson-Houston Electric, merged to form General Electric, a corporation with an estimated net worth of $35 million. Thereafter, General Electric and Westinghouse would dominate the manufacture of light bulbs and other electrical equipment along with the distribution of electric power to run the new electric inventions.

Pictured here is the original General Electric logo, circa 1899. (Wikimedia Commons)

16.3j Alexander Graham Bell and the Telephone

Alexander Graham Bell, like Andrew Carnegie, was a Scottish immigrant who came to America as a young man (age 24 in Bell's case) to seek his fortune. Bell developed a way to transmit the human voice over a wire, and his invention became known as the telephone. Bell first demonstrated his invention to the world at the Philadelphia Centennial Exposition in 1876, and communication in America has never been the same since. Bell formed his company, American Bell, in 1880 and worked with Theodore N. Vail, who pioneered long telephone lines and created American Telephone and Telegraph as a subsidiary of Bell. In 1900, the corporation was reorganized with AT&T as the parent company, controlling Bell and Western Electric, which manufactured and installed Bell's telephone equipment. By 1900, there were almost eight hundred thousand telephones in America with people communicating from coast to coast.

Other inventions in the Gilded Age that changed the nature of America included the typewriter (1868), barbed wire (1867), the cash register (1879), the adding machine (1885), the Kodak camera (1888), the zipper (1893), the safety razor (1895), and the tape recorder (1899).

16.3k The Growth of Finance Capitalism

During the 1890s, industrial capitalism began to give way to *finance capitalism* as investment bankers became more influential in the development of American industry. Finance capitalists like J. P. Morgan and August Belmont came to power. not because they were skilled industrial organizers, but because they had enormous sums of money with which they could invest in and purchase control of an industry. A corporation in need of capital could ask a banking house to sell the corporation's securities. In return, the investment banker demanded a share in the management of the corporations in which his customers had invested. Hard-pressed industrialists could not refuse, and gradually the bankers assumed supervision of corporate policies. By the turn of the century, control of a number of corporations had passed from industrialists to bankers.

The leading American finance capitalist was J. P. Morgan, who was also a dominant figure in the national economy. Morgan worked to bring about order and stability in one industry after another, for he wanted to make sure that dividends would be paid regularly to stockholders. He disliked competition because he felt it would lead to cutthroat price cutting, which would be bad for business. Instead, he wanted corporations to collude in order to control prices and markets. Morgan's policies meant more protection for stockholders—but also higher prices for consumers. Eventually, his domination of American finance was so thorough that critics complained that he controlled a "money trust."

Morgan's finance capital brought a reorganization of American industry as he took over struggling railroads and other businesses and then consolidated them into larger entities until Morgan had nominal control over two-thirds of America's rail lines. Morgan increased his profits from the railroads by issuing more shares of stock than the assets of the companies were worth. Morgan's practices not only set up the stock market for an eventual fall but also saddled the railroads with debt problems that hindered continued investment in research and development. Morgan did not stop with railroads, however; he used the same approach in creating massive corporations in other industries, such as General Electric and United States Steel.

Probably the biggest of Morgan's ventures was his launching of the United States Steel Corporation in 1901. He bought out the Carnegie Steel Corporation and combined it with ten other steel companies into one vast corporation capitalized at the unprecedented figure of slightly over $1 billion plus a bonded debt of over $303 million—making it America's first billion dollar company (though the Bureau of Corporations later estimated that the total value of the combined assets of all the merged companies was actually only $676 million). U.S. Steel controlled 60 percent of America's steel business and employed almost 170,000 people.

With Carnegie's sale to Morgan, the era of industrial capitalism came to a close and was replaced by the era of finance capitalism. Finance capitalism brought with it even greater economic consolidation. In 1893 there were 12 great companies with an aggregate capital of about $1 billion. By 1904 there were 318 industrial combinations—one of them Morgan's United States Steel Corporation—with a combined capital in excess of $7.25 billion. Together, these 318 companies controlled more than five thousand separate plants. Corporations had become ever larger, and ever fewer companies owned an ever-increasing share of American gross domestic product. In 1870, over eight hundred iron and steel firms competed in the American marketplace—by 1900, fewer than 10 percent remained. This pattern repeated itself in industry after industry; by 1900, 1 percent of American corporations, overall, controlled over a third of America's manufacturing.

At the time of Morgan's death in 1913, his estate was estimated at $118 million—including $50 million in art treasures. Though his fortune was much less than that of Carnegie or Rockefeller, he indirectly controlled billions of dollars' worth of assets; and his power in the American economy may have been unparalleled.

Knights of Labor
Labor union founded in 1869

Uriah Stephens
Original head of the Knights of Labor

Terence V. Powderly
Leader of the Knights of Labor who changed the strategy to strikes and the end of secrecy

16.4 Labor

Labor had a difficult time in the new industrial age. While businessmen solicited governmental assistance in the form of tariff protection, they bitterly opposed any attempt to improve the conditions of labor by legislation on the ground that this would be unwarranted interference with the economic system. Most businessmen regarded as absurd the notion that employees should have the same right to government protection and aid as business. Instead, Businessmen believed that they alone had the right to determine the terms and conditions of employment, and they dismissed the idea of collective bargaining.

But as businesses formed ever-larger combinations, so did labor. The rise of labor organizations was boosted by the age of invention itself as more and more skilled workers found themselves replaced by machinery and unskilled workers who merely tended the machines. Labor discontent was also fueled by the fact that an absence of labor protections—such as worker's compensation insurance—left thousands impoverished after family breadwinners were disabled on the job. The rate of on-the-job injury in the United States during the Gilded Age was the highest in the world.

Among the earliest of the significant labor organizations was the National Labor Union (NLU), which organized in 1866 and was mainly a reform organization that summed up various grievances labor had had since the 1840s. The NLU argued for an eight-hour day, the abolition of slums, and the establishment of cooperatives. It favored arbitration over strikes in labor disputes, and it frowned (at first) upon independent political action by labor groups. Its most important leader was William Silvis, who died in 1869 after heading the organization for only a year. Had he lived longer, the union might have played a greater role in the history of labor. After his death, however, the NLU turned more and more to political activity; and in 1873 its trade-union aspect disappeared when it became the National Labor Reform Party. The NLU withered and died amidst an economic recession at the same time; even so, the National Labor Union had prepared the way for more effective labor organizations, such as the **Knights of Labor**.

16.4a The Knights of Labor

The Knights of Labor were organized in 1869 under the leadership of **Uriah Stephens**. Believing in the solidarity of labor, the Knights admitted almost everyone to membership, excluding only lawyers, bankers, stockbrokers, liquor dealers, and professional gamblers. This meant that for the first time there was a substantially male labor organization that accepted female members—albeit grudgingly at first—and a substantially white labor organization that was not invariably opposed to black members. The Knights' announced primary purpose was "to secure to toilers a proper share of the wealth they create." They hoped to achieve their goals through secrecy, the organization of cooperatives, and education and propaganda.

Secrecy was of prime importance to the members, for their jobs were at stake. Industries locked out workers who belonged to unions. Even the name of the organization was not made public until 1881. Their secrecy, however, caused the Knights trouble with the churches—especially the Catholic Church, which feared the members might be taking a secret oath that was in conflict with their religion. Only the intercession of Cardinal Gibbons of Baltimore kept the pope from excommunicating the Catholics in the federation.

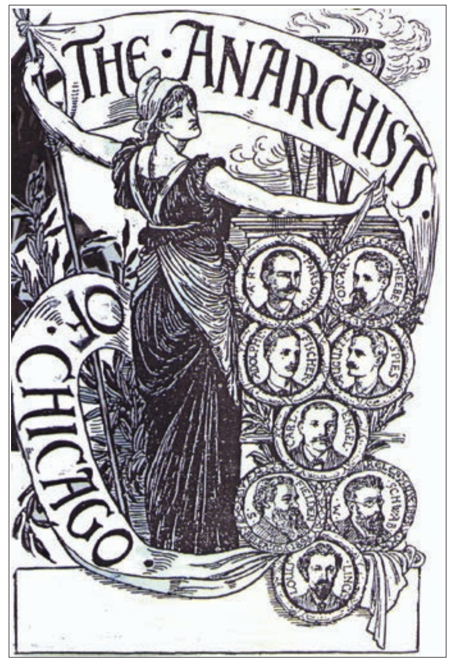
The Knights were of national importance from 1879 to 1893, while **Terence V. Powderly**, who replaced Uriah Stephens, was their Grand Master Workman. Powderly was denounced by some as a radical and by others as a faker who sold out labor. He seldom gave full attention to the union, considering it only a part-time position, and engaged himself in other activities—such as being mayor of Scranton, Pennsylvania, from 1878 to 1884, and a leader of the Irish Land League. His great strength with the workers, however, was his oratorical power. Powderly supported land reform, temperance, and public education. Powderly also abandoned Stephens' strategy of secrecy, and the Knights began recruiting and airing their grievances openly.

The Knights hoped to organize all workers—skilled and unskilled, black and white—into one big union for mutual protection against "the aggression of employers." They worked for the eight-hour day, abolition of child labor, settlement of labor disputes by arbitration rather than by strikes, and encouragement of cooperative stores and factories.

The bombing at Haymarket Square
Explosion at a labor rally in Chicago in 1886 and the sensational trial that followed

The Knights' official opposition to the use of strikes—like that of unions, generally, in the seventies—was because most strikes until this point had been unsuccessful. The depression of the seventies had dealt unions some severe blows. They lost strength, and workers saw wages drop as much as 40 percent in textiles and on the railroads, where the strikes led to much turbulence. Moreover, workers faced increasing unemployment, prosecution of strikers, and use of police and private detective agencies as strike breakers. In addition to lockouts (restricting employment to only nonunion labor), employers resorted to blacklisting (circulating names of union leaders and members) and to "yellow dog" contracts (pacts whereby employees agreed not to join unions). Consequently, the 1870s and the depression of that decade were a very difficult time for unions. Only a handful of the national ones pulled through these years.

Although Powderly himself was opposed to use of the strike as a weapon and was willing to come to terms with employers at almost any price, the hard times of the mid-eighties led to boycotts and strikes, notably against the Union Pacific in 1884 and Jay Gould's Wabash in 1885. Spontaneous strikes by shopmen and trainmen caught the companies off guard and compelled Powderly's support of his followers. These were labor's first major victories, and they forced Gould to negotiate with the Knights. An illusion of easy success arose, and suddenly the Knights were flooded with members. In 1886—their peak year—membership shot up to seven hundred thousand.



This engraving of The Anarchists of Chicago was widely circulated among anarchists, socialists, and labor activists following the incident at Haymarket Square in Chicago. (Wikimedia Commons)

Fast on the heels of these successes, however, came the Great Southwestern Strike of 1886 and failure. Powderly had agreed in the Wabash settlement to have no more strikes without notifying the railroads in advance. It was an agreement, however, that he could not enforce. The strikes that had occurred were not of his making but instead were strikes of local origin that had drawn him in only after they had begun. In the Southwestern strike, Gould refused to negotiate with the union because the Knights had given no advance notice to the railroad, and the strike collapsed when impoverished workers were unable to hold out.

Of all the labor upheavals of the period, however, none was more frightening to men of property and order, or did more to damage the prestige of labor, than **the bombing at Haymarket Square** in Chicago in 1886. On May 1, a number of independent trade unions struck for recognition of the eight-hour day at the McCormick Harvester plant in Chicago. Two days later the police shot and clubbed some of the strikers who were beating up strikebreakers, and four persons were killed. The violence of the police prompted growls of resentment and threats of retaliation in the labor press. The next day, May 4, a group of anarchists called a protest meeting in Haymarket Square. As the speeches were coming to a close, almost two hundred policemen arrived on the scene and ordered the crowd to go home. Before anyone could move, however, a bomb exploded, killing one policeman outright and fatally wounding several others. Almost immediately the police opened fire on the workers, and soon a riot was in full swing. Ten people were killed, six of whom were policemen (some shot each other); dozens were wounded.

The reaction in Chicago and throughout the nation was one of horror. In the resulting hysteria, hundreds of labor union leaders were arrested—eight of whom were anarchists—and indicted for "inciting the person who threw the bomb into doing it." The men were subsequently tried and convicted on what has since come to be seen as flimsy, inconclusive evidence. In fact, witnesses in the trial even testified that none of the eight men on trial actually threw the bomb. In spite of this, the state's prosecutor, Julius S. Grinnell, sought to make examples of the men as a deterrent to others to refrain from violence and union activities in general. Grinnell argued that the state must "make examples of them, hang them, and save our institutions." Seven of the eight men were sentenced to death; one committed suicide, four were executed, and the others had their sentences commuted to life in prison—in spite of the fact that the state could not link any of the defendants to the Haymarket bomb. Clearly, the men had been arrested and convicted primarily

American Federation of Labor
Skilled labor union founded by Samuel Gompers

Samuel Gompers
Head of the American Federation of Labor

Molly Maguires
Coal mining union famous for violent tactics

for their political views rather than for the evidence against them. In 1893, Illinois governor John Peter Altgeld recognized it as such when he pardoned the three remaining Haymarket convicts at the cost of his own political career. Labor leaders reacted by designating May 1 as an international celebration of labor in memory of the Haymarket martyrs.

The rest of the nation was not so sympathetic, however. The Haymarket Riot had a disastrous impact on labor unions, in general, as it convinced many Americans that labor unions were dangerous and full of "bomb throwing radicals." Although the Knights of Labor had nothing to do with the Haymarket Riot, they were identified in the public mind with the anarchists; and skilled workers began to desert the Knights in large numbers. From this time on, the Knights declined in influence; by 1890 their membership had fallen to a hundred thousand.

16.4b The Rise of the AFL

While the power and influence of the Knights waned, a new labor organization, the **American Federation of Labor** (AFL), was created in 1886 under the leadership of **Samuel Gompers**. The AFL was essentially a federation of autonomous craft unions representing skilled workers. Gompers abandoned the Knights' idea of labor solidarity—and with it the outreach to women and people of color, except in a few limited cases. Trade unionism was his aim, and his plan was to group workers according to craft. Thus, the AFL was for "skilled" workers only and closed to the "unskilled." Gompers believed that female and black workers drove down wages and were more easily manipulated by big business. Nevertheless, the AFL did seek equal pay for women who did work under the premise that by raising female wages, they could make them less attractive to employers; in effect, women would be driven from the workforce.

(Wikimedia Commons)

The AFL pursued three practical objectives: higher wages, shorter hours, and better working conditions. Gompers opposed direct affiliation of labor unions with political parties. Instead, he favored cooperation with employers and mediation of labor disputes on the premise that what government gave, it could also take away. Therefore, the best route for laborers was to negotiate directly with the employers. Gompers did, however, advocate strikes when necessary to secure better working conditions, including the eight-hour day. The AFL and Knights competed for supremacy in labor at the end of the nineteenth century. In 1896 the AFL had 138,000 members, and the Knights just 17,000. By the end of the nineteenth century, the AFL had won—and the Knights of Labor would fade away until they existed only in history books

16.4c Labor Conflict

Most labor organizations rejected violence as a weapon in their struggle to improve the conditions of labor, but there were some exceptions. One was the **Molly Maguires**, an organization active among Pennsylvania coal miners from the mid-1860s to the late 1870s which resorted to violence, intimidation, and to the destruction of property. Making them more ominous to the public, the Molly Maguires were a predominantly Irish organization that operated within the Ancient Order of Hibernians—an Irish fraternal society about which Americans had little knowledge, but much fear. The Molly Maguires threatened mine owners and managers with death and occasionally made good on their threats. Mine owners, however, often hired persons to perform dastardly acts for the purpose of blaming the violent acts on the Mollies, thus justifying ruthless suppression of the labor union with public support.

Another exception to the nonviolent labor unions was the Anarchists, a small ideological group that supported acts of terror directed at ending capitalism. Though largely a reaction to the excesses of unrestrained capitalism, the ideological leanings of the Anarchists, combined with violence and the prominence of immigrants among their members, caused most Americans to view the Anarchists as dangerous and un-American.

16.4d The Great Railroad Strike of 1877

Though most labor activity was peaceful, there was significant violence associated with a number of strikes; this was often, if not invariably, owing to decisions made by employers. The first truly national strike that was replete with violence occurred among railroad workers in 1877. Due to an earlier economic recession that hit in 1873, wages had severely declined. For example, brakemen in West Virginia had experienced a drop in pay from $70 per month to $30. In the words of one railroad worker, "We eat our hard bread and tainted meat two days old on the sooty cars up the road, and when we come home, find our children gnawing on bones and our wives complaining that they cannot even buy hominy and molasses." Beginning on the Baltimore & Ohio, in response to wage cuts (the railroad had announced a 10 percent wage cut while simultaneously declaring a 10 percent dividend to stockholders), the **Great Railroad Strike of 1877** spread to several other rail lines from coast to coast. An estimated one hundred thousand railroad workers walked off the job; and another half million workers in other industries staged sympathetic strikes, most notably steel workers and longshoremen. Workers in Pittsburgh and Philadelphia clashed with the state militia and also destroyed property—but the Pennsylvania militia made the situation even worse by firing into a crowd of workers and killing twenty people in Pittsburgh. Workers retaliated with even more violence and burned two miles of property along the railroad tracks. The militia responded by shooting another twenty workers before the day was over. Property damage in Pittsburgh was estimated at over $2 million. In Reading, Pennsylvania, the situation was the opposite as militiamen refused to fire on strikers, stating, "we may be militiamen, but we are workers first."

The Great Railroad Strike of 1877 occurred after the Baltimore & Ohio Railroad announced a 10 percent wage cut while simultaneously declaring a 10 percent dividend to stockholders. In Pittsburgh and Philadelphia, militia was called in to handle the revolting workers. (Wikimedia Commons)

Within a little more than a week, governors of nine states declared a state of insurrection and called for federal troops to put down the strike. President Rutherford B. Hayes sent the U.S. Army to the hot spots, but the violence had subsided by the time the troops arrived. The U.S. Army did not shoot a single striking worker. The army did, however, protect "scab" workers and get the railroads moving again. In a matter of three weeks, the strike was over—but the bloody violence and slanted journalism against the strikers caused many more Americans to view labor unions as dangerous. The *New York Times* warned Americans about the "dangerous classes," and the *Independent* magazine urged the use of force to put down strikers. In the words of one *Independent* editorialist, "If the club of a policeman, knocking out the brains of the rioter, will answer, then well and good ... but if it does not ... then bullets and bayonets, canister and grape[shot] ... constitutes the one remedy."

Great Railroad Strike of 1877
Railroad strike that paralyzed the nation's rail system

Pinkerton detectives
Hired by management to escort scab workers into the workplace

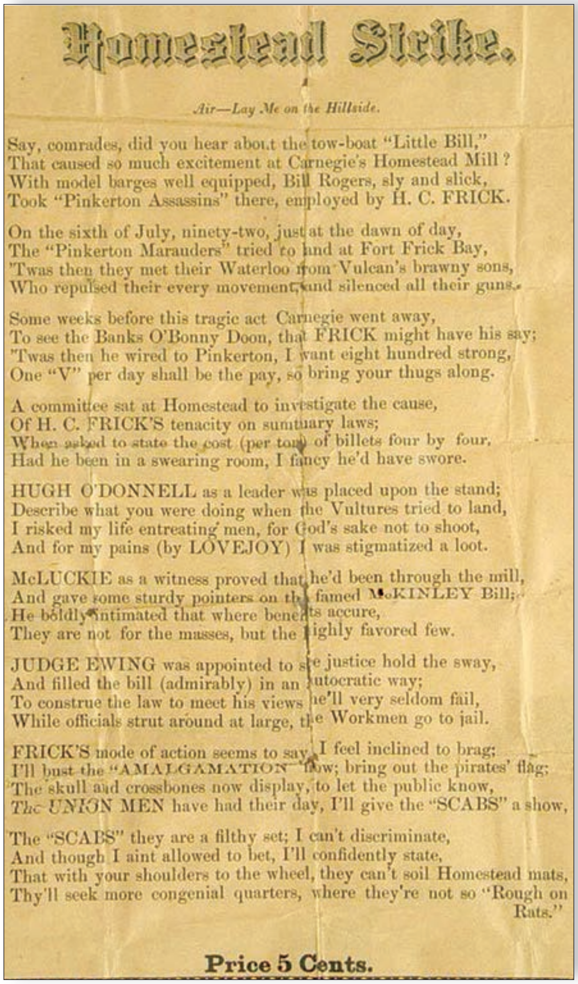
16.4e The Homestead Steel Mill Strike

Another bloody episode occurred in a steelworkers' dispute against Andrew Carnegie's Homestead Steel Mill near Pittsburgh in 1892. Ironically, labor unrest at the Homestead plant during the 1870s had been one of the factors that had helped Carnegie purchase the mill from his competitors at a low cost. Carnegie fancied himself as a friend of the workers, writing in 1886 that "the right of the workingmen to combine and to form trades unions is no less sacred than the right of the manufacturer to enter into associations and conferences with his fellows."

In 1892, however, Carnegie attempted to rid the Homestead Mill of union contracts since most of its workers were non-union employees. Carnegie's manager, Henry Clay Frick erected a fifteen-foot fence around the mill and hired over three hundred **Pinkerton detectives** to defend scab workers against an expected onslaught from striking employees. On June 28, 1992, Frick locked the regular employees out of the mill. On July 6 at 4:00A.M., the Pinkertons attempted to sneak into the Mill undetected via two river barges on the Monongahela River. The Pinkertons were spotted by union men, who put out the call to all workers. A twelve-hour gun battle ensued between the Pinkertons and the union men, and thirty union men were wounded and three killed. In the end, the Pinkertons were forced to surrender, and one Pinkerton agent was killed. Another Pinkerton agent had his eye gouged out by an angry woman with an umbrella.

Pullman Strike
Strike against the Pullman sleeper car company in 1894 that paralyzed the nation's rail lines and was violently put down by the U.S. Army, resulting in the deaths of forty workers

The union workers temporarily took over the Homestead Steel Mill and elected a council to govern the Homestead community. Four days later, however, Pennsylvania's governor ordered the entire Pennsylvania National Guard—some eight thousand troops—to Homestead to reclaim Carnegie's property. The National Guard troops occupied the mill for three months and ushered scab workers into the mill to take the jobs of the union men. One union man retaliated by attempting to assassinate Frick, whom he shot twice and stabbed with a knife; but Frick had a doctor remove the bullets and tend to his wounds while seated at his desk. The assassination attempt turned public opinion against the union. The assassin, Alexander Berkman (a Russian immigrant and anarchist), was arrested and sentenced to prison; his ethnicity and political leanings convinced many that unions were violent and filled with dangerous men with foreign ideas.



Homestead Strike.

Air—Lay Me on the Hillside.

Say, comrades, did you hear about the tow-boat "Little Bill,"
That caused so much excitement at Carnegie's Homestead Mill?
With model barges well equipped, Bill Rogers, sly and slick,
Took "Pinkerton Assassins" there, employed by H. C. FRICK.

On the sixth of July, ninety-two, just at the dawn of day,
The "Pinkerton Marauders" tried to land at Fort Frick Bay,
'Twas then they met their Waterloo from Vulcan's brawny sons,
Who repulsed their every movement, and silenced all their guns.

Some weeks before this tragic act Carnegie went away,
To see the Banks O'Bonny Doon, that FRICK might have his say;
'Twas then he wired to Pinkerton, I want eight hundred strong,
One "V" per day shall be the pay, so bring your thugs along.

A committee sat at Homestead to investigate the cause,
Of H. C. FRICK'S tenacity on sumtuary laws;
When asked to state the cost (per ton) of billets four by four,
Had he been in a swearing room, I fancy he'd have swore.

HUGH O'DONNELL as a leader was placed upon the stand;
Describe what you were doing when the Vultures tried to land,
I risked my life entreating men, for God's sake not to shoot,
And for my pains (by LOVEJOY) I was stigmatized a loot.

McLUCKIE as a witness proved that he'd been through the mill,
And gave some sturdy pointers on the famed McKINLEY Bill;
He boldly intimated that where benefits accure,
They are not for the masses, but the highly favored few.

JUDGE EWING was appointed to see justice hold the sway,
And filled the bill (admirably) in an autocratic way;
To construe the law to meet his views he'll very seldom fail,
While officials strut around at large, the Workmen go to jail.

FRICK'S mode of action seems to say, I feel inclined to brag;
I'll bust the "AMALGAMATION" now; bring out the pirates' flag;
The skull and crossbones now display, to let the public know,
The UNION MEN have had their day, I'll give the "SCABS" a show,

The "SCABS" they are a filthy set; I can't discriminate,
And though I aint allowed to bet, I'll confidently state,
That with your shoulders to the wheel, they can't soil Homestead mats,
Thy'll seek more congenial quarters, where they're not so "Rough on Rats."

Price 5 Cents.

(Wikimedia Commons)

In the end, the Homestead Strike was a major defeat for the unions as the workers gave in after four and a half months and returned to work. Union leaders were blacklisted and could not find work, the mill cut wages, reinstated the twelve-hour day, and cut some five hundred jobs. The Amalgamated Labor Union, which had a membership of twenty-four thousand in 1891, saw its membership decline to less than seven thousand within a decade and virtually every steel mill in the Northeastern United States had broken its relationship with the union.

With the onset of depression in the summer of 1893, however, unrest and dissatisfaction among the working class deepened. Among the most violent of the labor upheavals, which aroused national apprehension, was the **Pullman Strike** joined by the American Railway Union in sympathy for the distress of Pullman workers. The Pullman Palace Car Company made railroad sleeper cars at a factory near Chicago. Pullman constructed a "company town" where employees lived in 1,800 company houses, children played in company parks, and there was a company library and company stores, but no saloon. The Pullman houses were better than those most workers lived in near Chicago: however, rent on Pullman houses was 10 to 20 percent more, and Pullman workers could not own homes in the company town. Between May and December 1893, as the economic panic hit hard at the Pullman Company, wages at Pullman were cut 28 percent—but rent in Pullman housing remained the same. Furthermore, the Pullman Company garnished the rent from the employee's wages. Meanwhile, Pullman paid stockholders an 8 percent dividend, and the company showed a $25 million profit. During the spring of 1894, the desperate Pullman workers went on strike; and the American Railway Union (ARU), led by Eugene V. Debs, staged a sympathetic strike and refused to work trains that towed Pullman cars. By the end of June 1894, some twenty thousand railroad men were on strike in and around Chicago, tying up every Midwestern railroad. Debs urged his union men to avoid violence, but the nation's newspapers printed slanted anti-union stories claiming that there were "wild riots" in Chicago.

In retaliation, the railroad companies fired all of the protesting switchmen who refused to work trains that carried Pullman cars. U.S. Attorney General Richard Olney, who was sympathetic to the railroads, appealed to a federal court for an injunction against the strikers on the basis of the Sherman Antitrust Act, arguing that the unions were combinations in restraint of trade such as the act forbade, and were interfering with the mail. The court issued the injunction; and Olney argued to President Grover Cleveland that federal troops had to intervene to prevent the interruption of the mail, which was hauled by rail. Meanwhile, two Chicago judges issued an injunction that prevented ARU leader Debs from speaking in public. Debs defied the injunction and reminded his followers that "troops cannot move trains."

The railroads made sure that Pullman cars were put on every mail train so that the union's actions would invariably interrupt the mail. At the same time, violence broke out in Chicago; and President Cleveland (over the protest of Governor Altgeld of Illinois) sent in eight thousand federal soldiers to "protect the mails." Before order was restored, some twenty people were reported killed, sixty more wounded, and two thousand railway cars destroyed—causing over $340,000 in damage. Eugene V. Debs, president of the American Railway Union, and other labor leaders were arrested, convicted of contempt of court—for violating the injunction—and sentenced to six months to a year in jail. The conviction of the ARU leaders was upheld by the Supreme Court of the United States, which declared the injunction issued against the union to be a legitimate device for the protection of interstate commerce and the mails. Pullman reopened his factory with scab workers, and 1,600 union employees of Pullman suddenly found themselves unemployed.

In spite of the strikes, not to mention the low pay and poor working conditions, a large number of American workers in these years accepted existing working conditions as inevitable and made the best of it. Although they might have been discontented, they did not protest. In fact, many industrial workers were influenced by rural values. Many were unskilled, poorly educated, and socially underprivileged. They were also awed by the enormous achievements of the new industry and were proud of being a part of it. Those who were upwardly mobile generally identified with their employers and accepted the values of American capitalism.

Mother Jones
An Irish immigrant active in the Socialist Party, she was one of the founders of the Industrial Workers of the World in 1905.

Emma Goldman
Lithuanian immigrant, anarchist, and female activist who was deported by the United States in 1919

16.4f Unions and the Black Worker

Unlike the politicians of the day—who managed to evade it—the national labor organizations of the post-Civil War decades had to deal with the race issue. The National Labor Union, owing to the wide diversity of opinion among its members, never took any specific action on this matter; however the Knights of Labor, whose goal was to organize all workers, skilled and unskilled, sought to bring blacks into the labor movement. Thus it organized black as well as mixed local chapters, not only in the North, but also in the South where vigilantes and lynch mobs attacked Knights organizers. It is not possible to tell from the available records how many blacks became members of the Knights; nevertheless, at the 1886 convention of the union—the peak year for the Knights—it has been estimated that there were no fewer than sixty thousand blacks in the Knights of Labor.

Since the American Federation of Labor was comprised of national craft unions (skilled workers only), it had few black members—for few black workers qualified as "skilled workers." Gompers' position on the black worker was made clear in his annual report of 1890 when he emphasized the "necessity of avoiding as far as possible all controversial questions." It would be many years before blacks became "a regular element in the labor force of every basic industry."

16.4g Women and "the Incorporation of America"

Women responded to the vast economic transformation in multiple ways. During times of labor conflict, such as the railroad strikes of 1877, they comprised a part of the mobs that destroyed property. Because increasing numbers of them were gainfully employed, they sought entrance to unions—successfully during the heyday of the Knights of Labor, but less successfully once the AFL became dominant, though a few women did become organizers for the AFL. Many joined the Socialist Party, including middle-class clubwomen and even farm wives. Eventually, two of the best-known women in the country gained their fame owing to their activism in response to labor conflict: **Mother Jones** and **Emma Goldman**.

Mary Harris "Mother" Jones was born in Ireland in 1837, came to the U.S., married, and had four children. In 1867, yellow fever took the lives of her entire family. She then made the workers of the whole country into her family, traveling incessantly to places where a strike was in progress and organizing the wives and children of the striking men so as to strengthen support for the strike. Active in the Socialist Party, she was one of

Emma Goldman became an anarchist after the bombing at Haymarket Square. She spent the rest of her life speaking, writing, and agitating on behalf of various radical causes. Here she speaks to a crowd advocating birth control, at the time a very avant-garde position. (Wikimedia Commons)

the founders of the Industrial Workers of the World in 1905. By the time of her death in 1930 she was a living legend, and fifty thousand miners attended a memorial service in her honor.

Emma Goldman was born in what is now Lithuania in 1869 and came to the U.S. in 1885. Goldman became an anarchist and spent the rest of her life speaking, writing, and agitating on behalf of various radical causes, including birth control. In 1919 the director of the Radical Division of the Justice Department, J. Edgar Hoover, deported Goldman from the U.S. after she spoke out against military conscription during WWI. Goldman would die in Canada in 1940.

16.5 The Last Frontier

16.5a The West

While industrial expansion was transforming post-Civil War America, there took place another movement of momentous consequence—the settlement of the western half of the country. It was a migration probably unparalleled in the history of the world, as in one generation Americans established more than a million farms in this last West and occupied more new land than earlier Americans had settled in two and a half centuries.

"The octopus"
The railroads in California and their economic and political power

16.5b The Transcontinentals

More spectacular than railroad building in the older sections of the country was the construction of the transcontinental railroads that connected rail lines on the West Coast with the rail lines in the east. Between 1869 and 1893, five transcontinental railroads were built. The first of these was spawned in 1862 when Congress chartered the Union Pacific and the Central Pacific railroads. Upon their completion of the transcontinental line from Council Bluffs to San Francisco in 1869—with Chinese immigrant labor having done much of the heaviest work—the two railroads had received 54 million acres of government land and government loans amounting to about $60 million. In addition, the Union Pacific had issued one million shares of stock at $100 a share.

Much of the profiteering that accompanied the building of both roads can be ascribed to the separation of ownership and control in modern corporate enterprise. Managers systematically bled their companies for their own profit, a practice that the public first became aware of with the Crédit Mobilier scandal of 1872. Officers of the Union Pacific Railroad had used a dummy construction company (the Crédit Mobilier) which they owned to build the road and had turned over most of the assets of the road, including loans from the government and investments by shareholders, to themselves as constructors—paying themselves, by a conservative estimate, $73 million for a $50 million job. Their bribery of congressmen in connection with this deal was only incidental. The concept of "conflict of interest" present in intimate relationships between government officials and business did not yet exist. More fundamental to an understanding of this evil is the fact that executives were placed in a position that gave them constant opportunity to enrich themselves at the expense of the investors and of the enterprise itself.

The Crocker Company, which built the Central Pacific, amassed a profit of about $63 million on an investment of $121 million. Most of this went to the four leading officials of the Central Pacific—Leland Stanford, Collis P. Huntington, Charles Crocker, and Mark Hopkins—each of whom left a fortune of $40 million or more at his death. Critics of the railroad magnates in California referred to their railroad as **"the octopus,"** with tentacles that controlled San Francisco's financial district, California agriculture, lumber interests, shipping, stage lines, and mining. Frank Norris expanded this theme in 1901 in his best-selling novel, *The Octopus*.

16.5c Governmental Aid to Railroads

While individual initiative and enterprise played a large part in the building of America's great railroad empire, it is doubtful if American railroads would have become so highly developed had it not been for the generosity of the federal, state, and local governments. Between 1850 and 1871, the railroads received from the federal government alone more than 130 million acres of land—an area as large as the New England states, Pennsylvania, and New York combined—and from the states about 49 million acres of land. It is nearly impossible to assess the value of this land, but a conservative estimate (based on $2 an acre) would place the value at $360 million. Some estimates have been as high as $2.5 billion.

Because they failed to meet all the conditions under which this land had been granted, the railroads were able to retain only about 116 million acres. Even so, at the end of the land-grant era it was discovered that railroads had been granted one-fourth of the entire area of Minnesota and Washington; one-fifth of Wisconsin, Iowa, Kansas, North Dakota, and Montana; one-seventh of Nebraska; and one-eighth of California. At one point (in 1882), Texas discovered that its donations of land to railroads exceeded by 8 million acres the amount remaining in the public domain.

To such grants of land were added loans and subsidies. Towns, cities, and counties gave the railroads about $300 million; and the states—at a conservative estimate—furnished an additional $228 million. The federal government made loans of approximately $65 million, most of which went to the Union Pacific and Central Pacific. A town was at the mercy of a railroad, which could bypass it and thereby cause it to dry up. By use of this threat, the railroads were able to secure cash grants, loans, exemptions from taxation, and subscription to their stocks.

Yet many loans were made voluntarily and enthusiastically to get local railroad advantages. By 1870, according to one estimate, public subsidies plus land grants contributed 60 percent of the costs of all railroad construction. Nevertheless, mileage of rails had increased from just over 30,000 at the end of the Civil War to over 130,000 by 1890. Not only had the railroads connected the Midwest with the South and the West Coast, but the railroad infrastructure and railroad land sales had also spurred settlement and economic development of the Great Plains.

16.5d Public Benefits

The national railroad system no doubt brought great benefits to the economy. In addition to facilitating the movement of goods, the railroads used enormous amounts of iron and steel, coal, lumber, and other products and provided employment for hundreds of thousands of workers. In the decade of the 1880s, the railroad companies bought nearly 15 million tons of rails, purchasing in some years over 90 percent of the rolled steel manufactured in the United States.

The railroads were also one of the most active colonizers of the last West. They possessed vast tracts of land grants to sell, and they stood to gain in increased passenger and freight business as settlement expanded. They offered rail tickets at reduced prices to prospective settlers and sometimes even provided free transportation for a settler's goods. The railroads kept agents at eastern seaports to welcome immigrants and to arrange for their transportation to the West. They even had immigration agencies in Europe to persuade Europeans to come to America.

16.5e Chinese Labor

In the three decades following the discovery of gold in California, over two hundred thousand Chinese immigrants crossed the Pacific and came to America. By 1880, Chinese immigrants made up approximately 10 percent of the California population. The first Chinese immigrants worked in the gold mines, but in 1852 the California legislature imposed a tax on "foreign" miners that drove many Chinese immigrants to seek their fortunes elsewhere. Many of these displaced workers found employment in the railroads. For instance, over twelve thousand Chinese immigrants worked on the first transcontinental

More than twelve thousand Chinese immigrants worked on the first transcontinental railroad. The railroads preferred the Chinese immigrants for labor over others because they had a strong work ethic, would work for lower wages, and were not unionized. (Wikimedia Commons)

railroad and approximately 90 percent of the workers for the Central Pacific Railroad were Chinese. The railroads preferred the Chinese workers over others because they had a strong work ethic, would work for lower wages, and were not unionized.

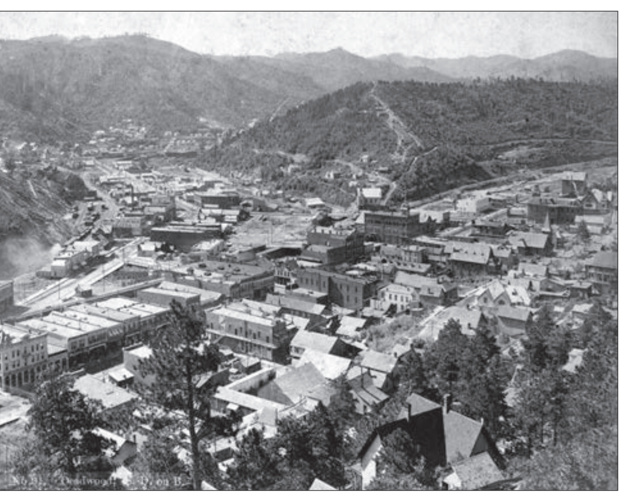
After the first transcontinental railroad was completed, thousands of Chinese workers were suddenly unemployed. Many of these laborers moved to cities, and "Chinatowns" developed in San Francisco and other western cities. Chinese normally worked in the cities as unskilled laborers, but Chinese entrepreneurs invested in commercial laundries because the capital investment required in the laundry business was low. By the 1890s, two-thirds of the people in California working in commercial laundries were Chinese. Unfortunately, the Chinese presence in the West spawned anti-Chinese nativism; and **anti-coolie clubs** developed in western cities, advocating bans on Chinese immigration, employment, and trade. Anti-coolie clubs attacked Chinese people in the streets and burned down factories that employed Chinese workers.

Anti-coolie clubs
Anti-Asian groups that opposed Chinese immigration

16.5f The Mining Frontier

Miners were the first to reveal to the nation the resources and potentialities of the territory between the Missouri River and the Pacific. The discovery of gold in 1848 had lured many miners to California; and later, throughout the 1860s, miners hurried to "strikes" in Colorado, Arizona, Idaho, Montana, and Wyoming. In each case, gold attracted the first settlers—the miners. When the pay dirt was exhausted, ranchers and farmers (aided by the government and the railroads) laid the foundations of the territory.

The discovery of gold in the Rocky Mountains close to Pike's Peak, near Lake Tahoe on the eastern slopes of the Sierra Nevada, on the reservation of the Nez Perce Indians in the eastern part of Washington territory, in Last Chance Gulch in Montana, and in the Black Hills region of South Dakota on the reservation of the Sioux Indians, brought thousands upon thousands of people to these areas—and with them all the elements of a rough and active civilization. Many stayed nowhere longer than the gold attracted them while others, as in Colorado, stayed on once the mining boom had spent itself, to farm and to help their area become a territory.



The town of Deadwood, South Dakota, circa 1890s (Wikimedia Commons)

The story of the mining towns is a familiar one, and their lawlessness has attracted much attention. Mining camps had relatively few churches, schools, newspapers, theaters, and so forth; yet such institutions did develop. For example, in the town of Deadwood, South Dakota—known as the most lawless place in the country and consisting mainly of two long rows of saloons—a stage company played Gilbert and Sullivan's *Mikado* for a record run of 130 nights.

Each mining camp was a separate administrative and judicial district having its own governing officials who passed and enforced their own laws. The legal codes and practices of these mining camps were eventually recognized in American courts, and a number of them were incorporated into constitutions and laws of the western states.

The miners' frontier came to an end in the 1880s, as no more important discoveries were made and the individual prospector was gradually replaced by big corporations that were usually run by eastern financiers. Between 1860 and 1890, $1.24 billion in gold and $900 million in silver were taken out of the mines in the West. These amounts enabled the federal government to resume specie payment and helped precipitate a raging national debate over the currency.

16.5g Comstock Lode

Comstock Lode
The nation's largest silver strike at Virginia City, Nevada

Homestead Act of 1862
Granted 160 acres of free land to settlers

Sodbusters
Plains farmers

In 1859, silver ore was discovered near Virginia City, Nevada, and quickly became known as the **Comstock Lode**, named after prospector Henry Comstock. In the two decades that followed, over $300 million in silver was hauled out of the earth in Nevada. Virginia City became a short-lived industrial center with over three thousand laborers working in the mines and another two thousand working in stamping mills and other silver manufacturing industries. The mines spawned an investment boom in California, which unfortunately led to fraud as unscrupulous businessmen sold more stock in the mines than the silver was worth. The mines spawned new technology as pumps sucked water from mine shafts and new ventilators circulated the underground shafts with air. Due to the labor demands, Comstock miners earned $4 per day—well above the average wage for miners in the West. By 1875, Virginia City had a population of twenty-five thousand people, making it the largest city in Nevada and one of the largest cities between St. Louis and San Francisco.

The Virginia City, better known as the Comstock Lode Mine, became a short-lived industrial center with more than three thousand laborers working in the mines and another two thousand working in stamping mills and other silver manufacturing industries. More than $300 million in silver was mined within two decades. Pictured is the Sutro Tunnel, 1896, that connected to the Comstock Lode in Northern Nevada. The Sutro Tunnel pioneered the excavation of large drainage and access tunnels in the United States. (Wikimedia Commons)

16.5h The Settlers

The opportunities for obtaining cheap or free land induced many settlers to go West. Most of the settlers were Anglo-Americans from the eastern United States, but over two million settlers between 1870 and 1900 were recent immigrants from Europe. The new wave of immigrants to the West did not come from England, but came instead from Ireland, Germany, Scandinavia and eastern Europe. Although some of the settlers were attracted to the gold and silver strikes in California, Nevada, Colorado, and Idaho—most came seeking land in the vast emptiness that was the American West. They could buy a farm outright from the national government under the terms of the Preemption Act of 1841, which allowed them to obtain a quarter section (160 acres) at the price of $1.25 an acre, or they could purchase their quarter section from one of the land-grant railroads or from one of the states, whose holdings of public domain were greatly increased by the passage of the Morrill Act of 1862. (This Act had given every state that established a public agricultural college thirty thousand acres for each representative then in Congress.) Finally, western settlers could secure their quarter section free of charge under the **Homestead Act of 1862**. This law made it possible for any American citizen, or any alien who had declared the intention of becoming a citizen, to acquire 160 acres of unoccupied government land by living on it and cultivating it for five years. A homesteader who wished to gain ownership sooner could, after six months of residence, buy the quarter section at the prevailing minimum price, usually $1.25 an acre.

The Homestead Act has been called "the greatest democratic measure of all history," but it had a number of faults. The best farming lands east of the 100th meridian were largely taken by 1862; and in the region from the Great Plains to the Pacific—to which the law chiefly applied—small homesteads were inadequate because the climate was too arid and rainfall too unpredictable. Moreover, the Homestead Act did not end land speculation and larger purchases than ever were made by individuals. For example, William S. Chapman bought a million acres in California and Nevada, and Francis Palms and Frederick E. Driggs together procured almost half a million acres of timberland in Michigan and Wisconsin. There was also fraudulent administration of the law. False claims were made; and claims were turned over to speculators and to land, mining, and timber companies. In addition, perjury and bribery of land officials were common so that, in practice, the act was a perversion of the land reformers' ideas.

Nevertheless, "**sodbusters**" moved to the Great Plains of Texas, Kansas, Nebraska, and the Dakotas. The invention of the windmill allowed people to settle in places that were not necessarily next to rivers and other natural surface water. Unusually heavy rainfall in the 1870's (rainfall varies greatly on the Great Plains not only annually, but from decade to decade) encouraged settlers to take up the mistaken idea that "rain follows the plow." Many settlers erroneously believed that merely breaking the ground somehow increased rainfall. Lacking building materials on the treeless plains, settlers on the Great Plains made building materials out of the sod itself and built houses out of cut rectangles of sod. Frugality and ingenuity, however, would not prevent a mass exodus in the 1880s when drought returned and the Great Plains would not produce.

During this period, a generous Congress passed other measures to dispose of public land. The Timber Culture Act of 1873 provided grants of 160 acres in certain regions on condition that the settler plant 40 acres (later reduced to 10) in trees and keep them growing for ten years. Under the terms of the Desert Act of 1877, the government offered semiarid lands in 640-acre tracts to those who would irrigate them; but since irrigation projects usually required more capital than most settlers had, the law benefited primarily the large-scale grazing companies. The Timber and Stone Act of 1878 permitted the sale of quarter sections of land not suited for agriculture but valuable for timber. Large corporations and speculators employed "dummy" registrants and illegally managed to get possession of more than 13 million acres of such government lands.

The migration of people created new states in the West in areas that previously had been left to the Native Americans and the buffalo. Kansas was admitted as a state in 1861, Nevada in 1864, Nebraska in 1867, Colorado in 1876, Washington, Montana, and North and South Dakota in 1889, Wyoming and Idaho in 1890, and Utah in 1896. Utah's statehood had been delayed for decades over the polygamy issue, but by 1896 Congress was satisfied that the practice had been officially abandoned. By 1900, only New Mexico, Arizona, and Oklahoma remained as territories in the continental U.S. that had not been granted status as states.

16.5i New Mexico

When the U.S. gained New Mexico in 1848, it gained territory from Mexico with a Spanish heritage that dated back two hundred years. General Stephen Kearney commanded U.S. Army troops at Santa Fe and attempted to establish a territorial government, but his appointments were mostly Americans who were outnumbered in New Mexico by Hispanics by almost a 50–1 margin. Hispanics and the Taos Indians in the region feared that their new rulers would confiscate their lands and destroy their ways of life; consequently, the Taos Indians rebelled. The U.S. Army put down the rebellion, but New Mexico remained under military rule until 1850. The new territorial government established in 1850 was corrupt and used its powers to gain control of over two million acres of land from Hispanic landowners by 1870. In the end, the territorial government accomplished exactly what New Mexico's citizens had feared when New Mexico became part of the United States.

16.5j California

Like New Mexico, California became part of the Union in 1848 and had a long Hispanic heritage and large Hispanic population. Spain began settlement of California in the eighteenth century with a series of missions on the Pacific coast. The Spanish attempted to convert the Native Americans, but they also tried to use them as a labor force to take care of livestock owned by the missions. Missions declined in the nineteenth century, however, when Spain required that the missions must be self-supporting. In their place, an agricultural economy based on large estates arose in California's fertile central valleys. After the gold rush brought white settlers, most of the Hispanic landowners lost their lands to American swindlers and court seizures. The large Hispanic-owned estates became large American-owned estates; and California would quickly become the most productive agricultural state in the U.S., to the benefit of the new white landowners.

16.5k The Ranching Frontier

Flourishing on the Great Plains for about two decades after the Civil War was an open-range cattle industry, originating with the long drive of cattle from Texas northward to railroads on the Great Plains for shipment eastward to the large cities. The Spanish had introduced longhorn cattle to the Texas plains in the eighteenth century. With no natural enemies, the longhorns multiplied until after the Civil War when some five million head of unowned cattle roamed the plains of Texas. The cattle were worth only $1 per head in Texas, but they were worth $60–$70 in Chicago; hence, to reap profits, one had only to round up the cattle in Texas and drive them to rail connections, none of which had yet made it to Texas in 1866.

The Spanish originally introduced longhorn cattle to Texas. Worth only $1 per head in Texas, the animals had to be driven to rail connections for shipping to places such as Chicago, where they were worth $60 per head. (Wikimedia Commons)

16.5l Trails of the Cattle Drive Era

In 1866, Texas cattlemen drove their cattle to rail connections in Sedalia, Missouri, along what became known as the Sedalia Trail. Some 260,000 head of cattle were driven over the Sedalia Trail. Problems, however, with American Indians in Oklahoma and with farmers en route—who objected to thousands of cattle traipsing uninvited across their land—led cattlemen to search for an alternative route in 1867. Thus began the era of the **Great Trail Drives**. That year, rail lines had reached Abilene, Kansas, and cattlemen shifted to the **Chisholm Trail** from South Texas to Abilene. Only 35,000 head of cattle would make it to Abilene in 1867, but over 4 million head would make it across the Chisholm Trail over the next two decades. At Abilene, Joseph G. McCoy (an enterprising meat dealer from Illinois) built a hotel and erected barns, stables, pens, and loading chutes. In 1868, Abilene received 75,000 head of cattle and in 1871—a record year—700,000 head.

Great Trail Drives
1866–1886, the overland driving of cattle from Texas rangeland to rail connections in Kansas, Nebraska, Wyoming, and Missouri

Chisholm Trail
Most famous cattle drive trail from Texas to Abilene, Kansas

Trail's end towns
Towns such as Abilene and Dodge City, Kansas, with rail connections to Chicago, to which cattle were driven from Texas

The cattle were moved slowly across the plains from Texas to Kansas in herds of two or three thousand head. There were many risks along the trail—the danger of stampedes, which could be set off by a sudden noise or lightning flash, of thefts by rustlers, and of raids by American Indians. Although fans of western stories and movies might never suspect the fact, blacks were numerous among the cowboys who drove the herds to market.

As new rail lines opened in Dodge City, Kansas, Ogallala, Nebraska, and Cheyenne, Wyoming, new cattle drive trails would open from Texas toward the rail destinations. **Trail's end towns**—such as Abilene and Dodge City, Kansas, Ogallala, Nebraska, and Cheyenne, Wyoming—became raucous centers of drunkenness, gaming, fighting, and prostitution as cowboys weary from the trail quickly spent their earnings on immediate gratification. In Abilene, twenty-four saloons were open twenty-four hours a day, and the railroads made almost as much money shipping liquor into town as cattle out of it.

The cattle drive business reached its peak in the early 1880s, when profits of 40 to 50 percent were common and even profits of 10,000 percent were achieved on occasion. Such returns, however, quickly attracted so many prospective ranchers that they overstocked the range. The unfenced plains of the public domain in the 1870s were bountiful and free, and the ranchers made use of this public land. Between 1882 and 1884, they sent as many young steers north to the ranges as they shipped east to the markets. Unfortunately, two disastrous winters of 1885–1886 and 1886–1887, and the blistering summer of 1886, destroyed most of the feed and the cattle. The steers that eventually did reach market were so inferior in quality that the bottom fell out of beef prices despite the great shortage. Of the cattle, 90 percent died; of the ranchers, 90 percent went broke.

At this time, too, large numbers of sheepherders began to cross the plains. Since the sheep stripped the range of grass, the cattlemen had to fight or leave when the sheepmen came to stay. Farmers were also homesteading the plains and fencing the open range after the invention of barbed wire made fencing affordable, and many of them turned to cattle raising. Soon they were able to produce beef of higher quality than that found on the open range. With the increase of railroad facilities, including the extension

New South
The Southern economy in the Gilded Age that used sharecropping and wage labor, instead of slavery, and expanded into manufacturing

of the railroads to Fort Worth, Texas, the long drive became unnecessary; and erection of barbed wire fences across the plains rendered cattle drives impossible. Gradually, the cattle drive era was ending, and with it came an end to the last frontier.

16.5m The New South

As the North left the South to its own affairs, blacks were edged out of politics in the South until black participation was systematically eliminated by 1900. The **New South** began to flex its political muscle in 1880 when it nominated Union soldier Winfield Scott Hancock for president on the Democratic ticket. Though Hancock lost the popular vote to James Garfield, it was only by ten thousand votes—the closest popular vote in American history. Hancock won every Southern state, yet the Democrats and the South still lost. As a consequence, Southerners focused on rebuilding the South without control of the political system.

The South was primarily still impoverished, rural and agricultural, and heavily reliant on cotton—putting Southerners at the mercy of commodity market prices at the end of Reconstruction. The Southern aristocracy that had ruled the South prior to the Civil War had suffered tremendous economic harm as a result of the war and was in a state of decay and decline. The new Southern governments dominated by "Redeemers" proved to be every bit as corrupt as the Reconstruction governments headed by the hated carpetbaggers. Meanwhile, the newly freed blacks and poor whites wallowed in the poverty of the sharecropper system. Realizing that their situation was dire without outside help, Southern leaders sought investment from Northern capitalists to build industry and infrastructure in the New South. Partially due to Northern investment, Southerners would build competitive steel mills in Birmingham, Alabama, and textile mills in the Carolinas and Georgia. Although the "New South" would remain much more agricultural than the North, the beginnings of an industrial economy were planted in the South.

Rather than slaves, the industrial economy of the New South was built on the labor of women and children. Some 40 percent of Southern cotton mill workers in the 1880s were women, and another 25 percent were children. Wages for Southern women and children in the cotton mills were approximately half of the wages in Northern textile mills. The cheap labor gave the South an advantage, and the American textile industry began to move south. In 1880, the South produced only 5 percent of the nation's textiles, but by 1900 it was almost 25 percent. Simultaneously, when James E. Duke installed a cigarette-making machine at Durham, North Carolina, in 1885, the tobacco industry was suddenly transformed in the South. In 1890, Duke created the American Tobacco company, which controlled 90 percent of the American tobacco industry.

Railroads, the economic engine of the Gilded Age, outpaced the national average in terms of percentage increase in the South. In 1886, Southern railroads changed their gauge from 5' to 4' 8.5", so as to integrate with the railroads throughout America. The railroads boosted the Southern iron industry. In 1880, the South produced only 9 percent of America's pig iron, but in just ten years the South's percentage of iron production doubled to 18 percent. Nevertheless, the combination of low wages in the South with the fact that most of the investment in Southern industry was from Northern sources meant that Southern wages remained only 40 percent of the national average—in spite of the advances in industrialization.

One reason that the South failed to advance more economically after the Civil War was that Southern agriculture stagnated. Monoculture in cotton, overproduction, and declining prices due to America's hard money policies—all led to a situation where Southerners produced more and more cotton, but made less and less money. Farmers became indebted to country storekeepers (from whom they bought provisions between planting and harvest) at interest rates of over 50 percent. Simultaneously, cotton prices would decline 50 percent between 1870 and 1890. The results were sharecropper indebtedness and a general debt crisis in Southern agriculture that would persist until the turn of the century, when gold finds in Alaska would finally end price deflation.

16.5n Blacks in the New South

Plessy v. Ferguson 1896 court case that validated the "separate but equal" doctrine

The rise of the New South coincided with the continued subjugation of blacks by Southern whites—in spite of the constitutional amendments of the Reconstruction Era that were designed to end slavery and grant full citizenship and political participation rights to black men. The attitude of most Southern whites toward blacks was articulated by the editor of the *Atlanta Constitution* and New South proponent, Henry Grady, when he stated in an 1888 speech, "the supremacy of the white race of the South must be maintained forever and the domination of the Negro race resisted at all points and all hazards because the white race is the superior race."

The Southern white backlash against the former slaves perhaps reached its apex in the 1890s when lynchings averaged nearly two hundred per year. Anti-black riots erupted in several Southern states, and Southern states reduced blacks to second-class citizenship through both formal and informal disenfranchisement. A host of anti-black laws were passed on state and local levels limiting blacks to employment in agriculture or domestic servitude and imposing zoning laws, curfews, and other restrictions on black rights. One-year labor contracts were imposed with prohibitions against job truancy. "Vagrancy" was outlawed, and in some cases it became illegal simply to be unemployed. Meanwhile, whites controlled Southern property and credit.

Politically, blacks who had been elected during Reconstruction were systematically evicted from office while other laws were passed essentially stripping blacks of their newly-gained political participation rights. Literacy tests and tests of moral character were imposed to disqualify black voters. States imposed poll taxes to discourage blacks from voting due to cost. White primaries, were imposed so that blacks would have no input into the political process where it counted most. The real question in the New South was not who would win the general election, but who would win the Democratic Party nomination in the primary. The Democratic Party nominee would then be expected to defeat his Republican opponent in the general election by wide margins. Cutting blacks out of the primary elections thus cut them out of the real decision. Finally, blacks were kept out of the political process through informal violence and intimidation that effectively prevented blacks from voting or running for office.

A completely segregated New South emerged with the help of the U.S. Supreme Court. Public facilities of all kinds became legally segregated, and the "separate but equal" doctrine was upheld by the Supreme Court in ***Plessy v. Ferguson*** in 1896. In short, the period following the Civil War replaced slavery with a form of second-class citizenship that included significant impediments to the economic and political advancement of African Americans.

16.5o The American Indians

After the Civil War, the Indians of the Great Plains and the Rocky Mountains—about 250,000 in number—actively opposed white settlement in their areas. The land had been theirs for centuries, and they were determined to fight, if necessary, to keep it. The strongest and most warlike were the Sioux, Blackfoot, Crow, Cheyenne, Comanche, and Apache tribes. These nomadic, buffalo-hunting tribes clung tenaciously to their land and fought valiantly for it. Mounted on swift horses and armed with bows and arrows, the Indians of the Great Plains were more than a match for the few whites who wandered onto the plains.

The strongest and most warlike tribes were the Sioux, Blackfoot, Crow, Cheyenne, Comanche, and Apache. These nomadic, buffalo-hunting tribes clung tenaciously to their land and fought valiantly for it. Mounted on swift horses and armed with bows and arrows, these were the Great Plains' Indians. (Wikimedia Commons)

Until the time of the Civil War, the Plains Indians had been relatively peaceful—but this was largely because whites had avoided the Great Plains as an uninhabitable "Great American Desert." Then the miners invaded the mountains, cattlemen moved into the grasslands, and white settlers followed the railroads across the prairies. The invention of the windmill allowed whites to settle in remote locations far from natural sources of surface water. Wanton destruction of the buffalo by the intruding whites threatened the American Indians' very existence

Dawes Act
Act that treated the American Indians as individuals, rather than tribes, and granted 160 acres to each head of household

because they depended on the animal for food, fuel, clothing, robes, bowstrings, tools, and other essentials. Faced with all these pressures, the tribes became dissatisfied with their treaties with the federal government.

During the quarter-century that followed the Civil War, whites clashed with the Comanche, Apache and Navaho in the Southwest and with the Sioux, Arapaho and Cheyenne on the Great Plains; and for the next twenty-five years American Indian warfare constantly recurred. In the mountain areas, most of the tribes were eventually persuaded to give up their lands and move to reservations—but the tribes on the plains were unwilling to do so.

In 1867, Congress enacted legislation providing for the removal of all Indians to reservations, thereby breaking the promises given to the Plains Indians in the 1820s and 1830s that they could keep their lands forever. The federal government decided to create two reservations for the Plains Indians—one in the Black Hills of Dakota, the other in present-day Oklahoma. Unsurprisingly, difficulties would quickly arise. While the tribal chieftains signed the treaties, individual Indians often refused to be bound by them. General W. T. Sherman wrote,

> We have ... provided reservations for all, off the great roads. All who cling to their old hunting grounds are hostile and will remain so till killed off. We will have a sort of a predatory war for years—every now and then be shocked by the indiscriminate murder of travelers and settlers, but the country is so large, and the advantage of the Indians so great, that we cannot make a single war to end it.

Sherman added that because of the American Indians' swiftness and guerrilla tactics, "50 Indians could checkmate 3,000 U.S. soldiers." Indeed, the Indians won 90 percent of their encounters with the U.S. Army during this time period; and yet due to the sheer number of white men, they would lose any war of attrition against a larger population with superior resources and technology.

Sherman's predictions and estimations proved accurate. Between 1869 and 1875, more than two hundred battles between the United States Army and the American Indians took place, with savagery committed by both sides. For example, a white trader reported that Cheyenne engaged by the U.S. Army "were scalped, their brains knocked out; the men used their knives, ripped open women, clubbed little children, knocked them in the head with their guns, beat their brains out, mutilated their bodies in every sense of the word."

As the War Department followed its policy of fighting the American Indians, new ideas about the problem began to have influence in Washington. In 1887, the **Dawes Act** initiated a new American Indian policy that reversed the old military policy of extermination. The act provided for the dissolution of tribal autonomy and the division of tribal lands, with each family head receiving 160 acres. To protect the American Indian in his property, the right of disposal was withheld for twenty-five years. At the end of this probationary period, the American Indian received full rights of ownership and full United States citizenship.

The new policy did not work well either. In dividing up the reservations, the best tracts were usually sold to white settlers and the worst given to the Indians. Often the American Indian owners were disheartened and failed to cultivate adequately the land they kept. Furthermore, when individual Indians—without experience as property owners—acquired good land, they were too easily persuaded to sell it. Nor was the policy universally applied. Some tribes, especially in Arizona and New Mexico, retained their tribal organizations and continued to hold their land in tribal fashion. To make matters worse, the Dawes Act actually reduced the total volume of land held by the American Indians since the number of Indian "heads of household" times 160 acres did not equal the total amount of land that had been held by the American Indians when it was granted to tribes instead of individuals. Furthermore, many whites married American Indian widows to get their 160 acres, and then divorced them; and all-white juries and judges awarded the land to the white men who had married the American Indian women for the sole purpose of getting their land.

Gradually the feeling developed that it had been a mistake to have the American Indians abandon their traditional way of life. Eventually, an effort was made to reverse the policy laid down by the Dawes Act and to allow the tribes to hold their land as communal property. This was to be realized in the Indian Reorganization Act of 1934—but clearly it was too little, too late.

16.5p Last Stands and Massacres

The battles between the American Indians and the white men were simply too numerous to detail in this limited space, but there are several incidents that stand out above the rest as worthy of further attention. One of these was the Sand Creek Massacre in Colorado in 1864.

The discovery of gold near Pike's Peak in 1858 had led to a rush of white fortune-seekers to Colorado, with the result that the Cheyenne and Arapaho Indians were further concentrated onto reservations in southeastern Colorado. Renegade American Indians resisting further concentration raided white settlements and stagecoach lines in retaliation. The Colorado governor responded by urging all friendly American Indians to gather at army forts for protection before the government launched a campaign to stop the Indian raiders. One group of Cheyenne and Arapaho Indians under the leadership of Black Kettle camped near Fort Lyon on Sand Creek, apparently in response to the governor's urging. On November 29, 1864, Colonel John Chivington (himself a Methodist elder) and the Colorado militia (made up of unemployed miners, many of whom were drunk) massacred a village of 133 Indians, 105 of whom were unarmed women and children. A congressional inquiry into the incident resulted in a court martial for Chivington, but this was of little consolation to the American Indians. Black Kettle himself escaped, only to be killed four years later near the Texas border in a skirmish with U.S. troops under **General George Armstrong Custer**.

General George Armstrong Custer
Led a scouting party of 265 U.S. soldiers who were massacred by a superior force of American Indians at Little Big Horn, Montana, in 1876

Little Big Horn
Site of the massacre of Custer and his men, in 1876, by American Indians

Chief Cochise
Apache chief who accepted assimilation policies in 1872

Chief Geronimo
Apache chief who revolted against assimilation policies, 1874–1886

16.5q Little Big Horn

In 1874, gold was discovered in the Black Hills, leading hordes of whites to encroach on land reserved for the Indians. By 1875, over a thousand whites had arrived in Dakota Territory, and the Northern Pacific Railroad planned to build railroad connections. The federal government offered to purchase the Black Hills, but the Indians refused to sell since they regarded the area as sacred Dakota land. The United States responded by ordering them to further concentration on the Pine Ridge Reservation southeast of the Black Hills. Many of the Dakota Indians resisted and instead fled to southeastern Montana in the area of the Big Horn River where the Sioux—under Chief Red Cloud—had waged a guerrilla war against whites encroaching on their land several years before. In June 1876, General George A. Custer led a scouting party of 265 men to find the American Indians' camp. Led by Chiefs Crazy Horse and Sitting Bull, an American Indian army of some two thousand Sioux, Cheyenne, and Arapaho warriors surprised Custer and his men, overwhelming the scouting party with superior numbers. Custer and all 265 of his men were killed, and their bodies mutilated. The American Indian victory at **Little Big Horn** would be short-lived, however, as within six years Sitting Bull had surrendered and Crazy Horse had been killed.


Pictured is the battle of Little Big Horn, Custer's Last Stand, where nearly two thousand Sioux warriors ambushed General George A. Custer and his band of more than 250 scouts. Overwhelmed, Custer and all his men were killed. (© CORBIS)

16.5r Cochise, Geronimo, and the Apaches

During the late 1860s, the Apaches under **Chief Cochise** waged a war of raids and resistance against the U.S. Army in New Mexico and Arizona. In 1872, Cochise accepted a peace treaty that included some of the Apaches' tribal lands. Cochise, however, also agreed that the Apaches would follow assimilation policies favored by whites. Cochise died in 1874; his successor, **Chief Geronimo** (an Apache shaman, or medicine man), rejected white assimilationist policies and renewed raids on white settlements and outposts. Geronimo raided isolated ranches and stole food, horses, and ammunition while killing the white ranchers and burning their homesteads. Riding with Geronimo's raiders

Wounded Knee
Site of the massacre of two hundred American Indians, most unarmed women and children, by the U.S. Army in 1890

was Lozen, a female warrior who was armed with a rifle and rode and raided with the men. In 1885, Lozen and Geronimo launched a series of raids over ten months on both sides of the U.S.-Mexico border. At one time, over two thousand U.S. troops under General Nelson Miles were involved in searching for Geronimo, but the American Indians seemed to always stay one step ahead of the U.S. Army. Finally, in 1886, Geronimo met with General Miles to negotiate a peace. By the time Geronimo surrendered, his band of raiders numbered only thirty-three, with the group including a good number of women and children. Upon his surrender, Geronimo explained that "we have not slept for six months" and "we are worn out."

Geronimo's career as a raider may have been over, but his legend grew over the years—to the point where he appeared at the St. Louis Exposition in 1904 and sold photographs of himself for a quarter each. Geronimo also rode with President Theodore Roosevelt in his inaugural parade in 1905. Geronimo and the Apaches were not allowed to return to their homeland in Arizona, and Geronimo was buried in Oklahoma in 1909.

16.5s Wounded Knee

In 1889, an American Indian religious man known as Wovoka combined elements of Christianity with traditional American Indian religious practices into a new religion known as the Ghost Dance. Wovoka claimed that God spoke through him and promised that all whites would soon be destroyed in an apocalypse; that all American Indians slain by whites would be resurrected from the dead; and that the buffalo—which whites had essentially wiped out by 1890—would return in great numbers to roam the plains. Central to the ceremony of Wovoka's new religion was a "ghost dance" where Indians danced in a circle in traditional style, often until some collapsed of exhaustion. As the religion spread, it grew and mutated. Wovoka's Sioux disciples taught that wearing white ghost shirts made them impervious to bullets.

The massacre at Wounded Knee was horrendous. Men, women, and children of the Lakota tribes were brutally shot down with Hotchkiss guns by U.S. troopers and buried in mass graves. (Wikimedia Commons)

Whites feared the dance as a prelude to an Indian uprising, and the Bureau of Indian Affairs agent at Pine Ridge Indian Reservation in South Dakota asked President Harrison for federal troop reinforcements in anticipation of such an uprising. In December 1890, Chief Sitting Bull was arrested and then shot and killed by police when he joined the ghost dancers. Sitting Bull's followers fled the scene of his death, but were met by the U.S. Army at **Wounded Knee** Creek. The soldiers of the U.S. Army opened fire and massacred, in the snow, some two hundred defenseless American Indians—many of them women and children. An eyewitness to the scene, an Indian named American Horse, described the event thusly:

> They turned their guns, Hotchkiss guns [cannons that fired an explosive shell] upon the women who were in the lodges standing there under a flag of truce, and of course as soon as they were fired upon they fled ... There was a woman with an infant in her arms who was killed as she almost touched the flag of truce, and the women and children of course were strewn all along the circular village until they were dispatched. Right near the flag of truce a mother was shot down with her infant; the child not knowing that its mother was dead was still nursing, and that especially was a very sad sight. The women as they were fleeing with their babes were killed together, shot right through, and the women who were very heavy with child were also killed ... After most all of them had been killed a cry was made that all those who were not killed or wounded should come forth and they would be safe. Little boys who were not wounded came out of their places of refuge, and as soon as they came in sight a number of soldiers surrounded them and butchered them right there.

In addition to the obvious tragedy, the Wounded Knee Massacre represented an end to the American Indian way of life. In the words of the American Indian leader Black Elk, "The nation's hope is broken and scattered. There is no center any longer and the sacred tree is now dead."

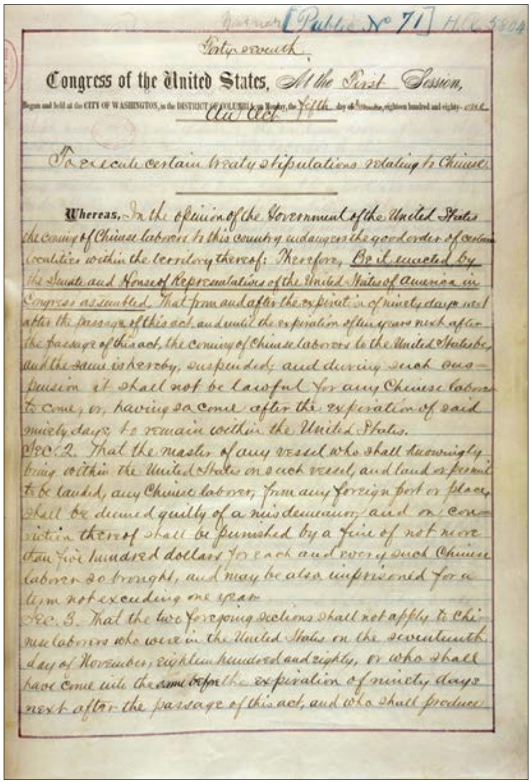
Chief Joseph of the Nez Perce tribe and his family. (Wikimedia Commons)

16.5t The White Victory and the Destruction of the Buffalo

The white victory over the Native Americans can be attributed to numerous factors, including the European diseases that had wiped out over 90 percent of the Native Americans after the landing of Columbus, the superior technology of the Europeans, and the European mastery of the horse, which was not present in North America until the arrival of the Spanish. The destruction of the Plains Indians and ultimate victory, however, should be attributed to what became known as **"the final solution"**—the destruction of the buffalo—which must be listed as another in a long list of American tragedies. At the close of the Civil War, an estimated fifteen million buffalo roamed the Great Plains. By 1900, the American bison was in danger of extinction, and only an estimated three hundred remained.

"The final solution"
The destruction of the buffalo as a means to drive the Plains Indians to the reservations

Several factors worked to bring about this waste of lives. First, the U.S. Army well understood that the buffalo were the source of food, shelter, and clothing for the Plains Indians and without the buffalo the Plains Indians would not survive. Therefore, some of the buffalo were methodically shot by the U.S. Army in an effort to vanquish their foe. Second, given that one buffalo would feed a hundred people, the railroads slaughtered the buffalo to feed their workers as they built the railroad lines across the Great Plains. Third, buffalo rugs became a fashionable item not only on the East Coast of the United States but also in Europe; thus, thousands of buffalo were killed to provide rugs for the wealthy. Fourth, a popular societal myth was that the buffalo tongue was an aphrodisiac; therefore, millions of buffalo were slaughtered just for the tongue. Dodge City, Kansas, alone shipped some seven million pounds of buffalo tongue. Finally, the railroads sold buffalo hunting expeditions for sport—in spite of the fact that the buffalo tended not to run after hearing a shot, since they had few natural enemies, and were therefore poor sport. Although mountain lions could and did kill young buffalo, the adult buffalo were simply no match for any American predators due to their size and strength until Europeans arrived with lead and gunpowder.



[Public No 71] H.R. 5804

Forty-seventh

Congress of the United States, At the First Session,

Begun and held at the CITY OF WASHINGTON, in the DISTRICT OF COLUMBIA, on Monday, the fifth day of December, eighteen hundred and eighty-one.

An Act

To execute certain treaty stipulations relating to Chinese.

Whereas, In the opinion of the Government of the United States the coming of Chinese laborers to this country endangers the good order of certain localities within the territory thereof: Therefore, Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That from and after the expiration of ninety days next after the passage of this act, and until the expiration of ten years next after the passage of this act, the coming of Chinese laborers to the United States be, and the same is hereby, suspended; and during such suspension it shall not be lawful for any Chinese laborer to come, or, having so come after the expiration of said ninety days, to remain within the United States.

Sec. 2. That the master of any vessel who shall knowingly bring within the United States on such vessel, and land or permit to be landed, any Chinese laborer, from any foreign port or place, shall be deemed guilty of a misdemeanor, and on conviction thereof shall be punished by a fine of not more than five hundred dollars for each and every such Chinese laborer so brought, and may be also imprisoned for a term not exceeding one year.

Sec. 3. That the two foregoing sections shall not apply to Chinese laborers who were in the United States on the seventeenth day of November, eighteen hundred and eighty, or who shall have come into the same before the expiration of ninety days next after the passage of this act, and who shall produce

Pictured is the first page of the Chinese Exclusion Act, signed in 1882. The act barred Asian immigrants from entering the United States by penalty of imprisonment and/or deportation. Earlier on, the Chinese were tolerated, if not welcomed, during the gold rush because they were needed for labor, but with the post-Civil war economy slump, they were blamed for taking jobs that could have otherwise been held by white citizens. (Wikimedia Commons)

16.5u A New Ethnic Mix

In the first two centuries of American history, the nation's ethnic mix was more or less tripartite: Native American, European, and African American. After the Mexican War and the acquisition of the Southwest, the mix began to include Latinos—among whom were mestizos of mixed Spanish and Indian ancestry. After the California gold rush, immigrants began to arrive on the West Coast from China and then from other Asian countries. Sadly, the record of the treatment of people of color in the American West is a story of virulent prejudice, discriminatory legislation, and ghettoization—patterns that would not change substantially until World War II. In California, for example, the state legislature enacted the Foreign Miners' Tax in 1850, a measure whereby "foreigners" had to pay an additional $20 in order to mine. What was especially unfortunate was the fact that Latinos, many of whom had been born in Mexican California, were often defined as "foreign" despite the guarantees of protection for the Californians in the Treaty of Guadalupe Hidalgo, which had ended the Mexican War.

16.5b Klondike Gold Strike

Dawson
Mining town in the Yukon territory

Skagway
Alaskan port that was the beginning point for the trek from the ocean to the Yukon gold strike

Jefferson Randolph "Soapy" Smith
Headed a ring of thieves that swindled prospectors in Skagway with gambling and a fake telegraph office

Klondike gold rush
Gold strike in the Yukon territory of Canada in 1896

In 1896, the discovery of gold along the valleys of the Yukon and Klondike Rivers launched a great stampede of prospectors north to Alaska and the Yukon territory of Canada. Although gold had been found all across Alaska since the 1870s, it was the news of a huge gold strike at Bonanza Creek, in August 1896, that launched the frenzy of the last great gold rush. The outside world learned of the riches of the Yukon Valley in the summer of 1897, when two ships arrived in San Francisco and Seattle loaded with approximately $1 million in Alaskan and Canadian gold. By the time winter cut off communications, two thousand prospectors had gathered in Canada at the former fishing camp of **Dawson**, at the head of the Yukon, with several thousand others on their way. By the summer of 1898, Dawson had a population of thirty thousand, making it the largest Canadian city west of Winnipeg.

Gold prospecting in the far north, however, was harsh. Prospectors traveled by ship from Seattle to the Alaskan boom town of **Skagway** and then made their way over the Alaskan Rockies to the Yukon and Klondike Rivers. The prospectors' journey truly began, for many, when they climbed the mountains over the White Pass above Skagway and onward across the Canadian border to Bennett Lake—or one of its neighboring lakes—where they built barges and floated down the Yukon River to the gold fields around Dawson City. Officials in Canada began requiring that each prospector entering Canada on the north side of the White Pass bring with him one ton of supplies, to ensure that they didn't starve during the winter. This placed a large burden on the prospectors and the pack animals climbing the steep pass. Thousands of horses froze to death in the unpredictable Alaskan weather where storms seemed to arise out of nowhere. Of the hundred thousand hopeful prospectors who left for the Yukon in 1896–1897, only about thirty thousand were able to complete the journey due to the harsh elements.

The discovery of gold along the valleys of the Yukon and Klondike rivers launched a great stampede of prospectors north to Alaska. The gold strike at Bonanza Creek was considered the last great gold rush. (CORBIS, © Richard Cummins)

The population of the Alaska Panhandle town of Skagway boomed along with that of Dawson. Upon arrival in Skagway, many realized how difficult the trek ahead would be on route to the gold fields and chose to stay behind to profit by supplying goods and services to miners. Within weeks of the news of the gold strikes in the Yukon, stores, saloons, and offices lined the muddy streets of Skagway. The population was estimated at eight thousand residents during the spring of 1898, with approximately one thousand prospective miners passing through town each week. By June 1898, Skagway was the largest city in Alaska.

One of the effects of the sudden rush of people was that Skagway became a lawless town, described by one member of the Northwest Mounted Police as "little better than a hell on earth." Fights, prostitutes, and liquor were ever-present on Skagway's streets. The most colorful resident of this period was bad man **Jefferson Randolph "Soapy" Smith**. Smith headed a ring of thieves who swindled prospectors with cards, dice, and shell games. His telegraph office in 1898 charged $5 to send a message anywhere in the world; and gullible prospectors paid to send news to their people back home—without realizing that there was no telegraph service to or from Skagway and that there wouldn't be one until 1901. Smith also controlled a comprehensive spy network, a private militia called the Skagway Military Company, the newspaper, the deputy U.S. marshal, and an array of thieves and con-men who roamed about the town. Smith was killed in a shootout on the streets of Skagway on July 8, 1898.

The **Klondike gold rush**, like the career of Soapy Smith, would be short-lived. By 1899 the stream of gold-seekers had diminished along with new gold finds, and the economies of Dawson and Skagway began to collapse. By 1900, when the railroad was completed, the gold rush was nearly over; and most of the prospectors were absorbed by West Coast cities such as Seattle. The last saga of the American West, it seemed, had come to a close.

Timeline

1841	The Preemption Act allows the individual purchase of 160 acres at $1.25 per acre.
1859	"Comstock Lode" silver strike at Virginia City, Nevada
	Henry Bessemer invents a process for purifying steel.
1862	The Morrill Act grants thirty thousand acres for each member they have in Congress to states for the establishment of agricultural colleges.
	The Homestead Act grants 160 acres free to settlers in the West.
1864	The Sand Creek Massacre in Colorado
1866	Sedalia Trail begins the cattle drive era.
1867	The opening of the Chisholm Trail from south Texas to Abilene, Kansas
	Congress provides for the removal of Plains Indians to reservations.
1869	Knights of Labor is organized.
	Completion of the first transcontinental railroad
1873	*Slaughterhouse Cases:* The Supreme Court limits the Fourteenth Amendment rights of the former slaves, distinguishing between national and state citizenship.
1874	Geronimo revolts against assimilation policies.
1876	Custer's Last Stand at Little Big Horn
1877	The Great Rail Strike
	Munn v. Illinois: Allows state regulation of railroads and fixed maximum storage rates for grain elevators
1882	John D. Rockefeller forms his Standard Oil Trust.
	Chinese Exclusion Act bars Asian immigration to the U.S.
1885	James E. Duke installs a cigarette-making machine in Durham, North Carolina.
1886	*Wabash v. Illinois:* Rules that since railroads crossed state boundaries, they fall outside the realm of state jurisdiction and into the federal realm because Congress was granted the exclusive powers to regulate interstate commerce

Timeline Continued

1886 Continued	American Federation of Labor is organized.
	May 1: Haymarket Riot in Chicago
	Harsh weather kills 90 percent of Texas cattle and ends the cattle drive era.
	Geronimo surrenders.
1887	Interstate Commerce Act creates the Interstate Commerce Commission.
	Under the Dawes Act Native Americans are treated as individuals rather than tribes, and 160 acres is granted to each head of household.
1889	New Jersey allows the formation of holding companies.
1890	The Sherman Antitrust Act declares "any combination in restraint of trade" to be illegal.
	Massacre at Wounded Knee
1892	Jay Gould dies, and newspapers proclaim that America has lost its "richest man."
	Ohio Supreme Court orders the dissolution of the Standard Oil Trust.
	The Homestead Steel Mill Strike
1893	The Panic of 1893
1894	The Pullman Strike
1895	*U.S. v. E.C. Knight:* Limits the Sherman Antitrust Act by separating manufacturing from commerce
1896	Klondike Gold Strike
	Plessy v. Ferguson: Validates the "separate but equal" doctrine
1898	*Smyth v. Ames:* The Court rules that corporations are persons under the law.
1901	Frank Norris publishes *The Octopus.*
1905	Mary Harris "Mother" Jones helps found the Industrial Workers of the World (IWW).
1911	The Supreme Court rules that the Standard Oil Trust violates the Sherman Antitrust Act.

Chapter Summary

The decades following the Civil War were years of economic expansion and industrial revolution in the United States. The U.S. government helped facilitate the boom by granting resources to individuals and industry for economic development and the construction of infrastructure. Coupled with the abundance of natural resources and continuing technological progress was a home market steadily expanding through immigration and a high birth rate. The prevailing attitudes favored free market capitalism and Social Darwinism; however, the down side of laissez faire was corporate corruption, worker exploitation, unsafe consumer products, repeated periods of economic panic, and rampant degradation of the environment. The courts contributed to laissez faire abuses by weakening the Sherman Act and the Fourteenth Amendment in the Slaughterhouse Cases, *Plessy v. Ferguson,* and *U.S. v. E. C. Knight*.

Railroads were the driving force of the economy, a situation made possible by federal land grants to the railroads. Railroad magnates, such as Jay Gould, became extraordinarily wealthy—but often engaged in graft and corruption along the way to gain notoriety as "Robber Barons" as well as "Captains of Industry." Corporate monopolies developed, led by John D. Rockefeller's Standard Oil Trust that made Rockefeller the wealthiest man in the world. The people and the government fought back against the power of the trusts with the Interstate Commerce Act—which created the first federal regulatory agency, to regulate the railroads, and the Sherman Antitrust Act.

Invention also drove the American economy, led by Thomas Edison who not only invented the electric light bulb but also had over a thousand other patents. Alexander Graham Bell's invention of the telephone would be another invention that would help transform America.

The Industrial Revolution also required finance capital, and America's leading financier was J. P. Morgan, who branched out from just finance to ownership of railroads, General Electric, and eventually Carnegie's steel empire.

The rise of an industrial economy with poor pay and conditions for workers led to the development of a significant labor movement led at first by the Knights of Labor and later by the American Federation of Labor under the leadership of Samuel Gompers. Although there were some successful strikes, such as the Great Rail Strike of 1877, most major strikes ended in failure for the unions as the government intervened on the side of management. Strikes were often violent with scores of workers losing their lives, many at the hands of U.S. government troops.

Settlement of the West was precipitated by a number of factors: the construction of the railroads, the federal Homestead Act which granted land to settlers, and the discovery of precious metals in the West. Gold was discovered in California in 1848, but gold and silver were also discovered in other western states—including Colorado, Idaho, and Nevada. The most important of these finds was the Comstock Lode at Virginia City, Nevada, which was the largest silver strike in American history.

The arrival of railroads in the West precipitated the great cattle drive era in Texas, as the five million unowned cattle that roamed Texas after the Civil War were driven to rail connections in Kansas, Nebraska, Wyoming, and Missouri. Trail's end towns became raucous centers of violence and debauchery, and explosions of commerce.

Settlement of the West by whites led to the removal of the Plains Indians to reservations beginning in 1867. They resisted; and a twenty-year war ensued where the American Indians won 90 percent of the battles, including the massacre of General Custer and 265 men at Little Big Horn. Eventually, however, the destruction of the buffalo by whites left the Americans Indians with no choice but to go to the reservations; their way of life had been destroyed. In a final sad chapter, the U.S. Army massacred two hundred mostly unarmed American Indians at Wounded Knee in 1890.

A final frontier was opened in the far north in 1896 when gold was discovered in the Yukon Territory of Canada. Skagway, Alaska, became the main port of entry for over a hundred thousand gold prospectors heading to the Yukon. Like the trail's end towns of the previous decades, Skagway became a center not only of commerce but also of raucous swindling and debauchery. By 1900, however, the gold rush to the Yukon was over, and the last saga of the American West had reached its end.

Key Terms

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Pop Quiz

1. In the Slaughterhouse Cases, how did the Court rule?
   a. The Fourteenth Amendment protected only those rights that stemmed from the federal government under the Constitution.
   b. States could not discriminate against blacks because they had equal rights and privileges.
   c. All citizens of American states had the rights laid out under the Fourteenth Amendment.
   d. Both b and c
2. Jay Gould was described as __________.
   a. the richest man in America
   b. the smartest man in America
   c. the most hated man in America
   d. all of the above
3. William Vanderbilt's famous reply to a reporter's question about his railroad was __________.
   a. "It is all for the public."
   b. "I cannot answer that question in the interest of national security."
   c. "I refuse to answer that question under the rights of executive privilege."
   d. "The public be damned."
4. John Rockefeller's methods included which of the following?
   a. horizontal integration
   b. vertical integration
   c. ruthless price-cutting
   d. all of the above
5. Perhaps the greatest magnate of capitalist finance was __________.
   a. Richard Chase
   b. J. P. Morgan
   c. A. G. Edwards
   d. Charles Schwab
6. Which union organized only skilled workers?
   a. National Labor Union
   b. Knights of Labor
   c. American Federation of Labor
   d. American Railway Union
7. The "Comstock Lode" was the nation's largest silver strike, at __________.
   a. San Francisco, California
   b. Deadwood, South Dakota
   c. Denver, Colorado
   d. Virginia City, Nevada
8. General William Tecumseh Sherman argued which of the following?
   a. Fifty Indians can checkmate three thousand U.S. soldiers.
   b. The Indians are terrible fighters and will be easily eradicated.
   c. The Indians can be eradicated by burning a swath sixty miles wide through Texas.
   d. The best approach would be to poison all the Buffalo.
9. Which of the following reasons precipitated Geronimo's revolt?
   a. the failure of the U.S. to grant a reservation on tribal lands
   b. Geronimo's rejection of assimilationist policies
   c. Geronimo's belief that he could take over the entire United States
   d. Geronimo's raid of the U.S. Army saloon at Albuquerque
10. The Alaska boom town that became the departure point for the Klondike prospectors was __________.
    a. Sacramento
    b. Independence
    c. Dawson
    d. Skagway
11. The Knights of Labor was a secret organization of workers. T F
12. Most mining towns had their own laws but were still wild and violent places. T F
13. The Knights of Labor __________ in membership after the bombing at __________ __________ in 1886.
14. A company that owned stock in other companies was called a __________ __________.
15. A court ruling prohibiting a strike was called an __________.

Answer Key:
1. a 2. d 3. d 4. d 5. b 6. c 7. d 8. a 9. b 10. d 11. T 12. T 13. declined; Haymarket Square 14. holding company 15. injunction