U.S. History Readers: Conflicts and Resolutions

The Industrial Revolution in the USA

By Thomas Ladenburg

Kerry Gordonson, Editor

Dr. Aaron Willis, Project Coordinator
Starr Balmer, Editorial Assistant
Amanda Harter, Graphic Designer

Social Studies School Service
10200 Jefferson Blvd., P.O. Box 802
Culver City, CA 90232
http://socialstudies.com
access@socialstudies.com
(800) 421-4246

10200 Jefferson Blvd., P.O. Box 802
Culver City, CA 90232
United States of America

(310) 839-2436
(800) 421-4246

Fax: (800) 944-5432
Fax: (310) 839-2249

http://socialstudies.com
access@socialstudies.com

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The Industrial Revolution in the USA

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The Industrial Revolution in the USA

This unit focuses on two interrelated questions concerning the Industrial Revolution in the United States: (1) Were the doctrines of *laissez-faire* and Social Darwinism as practiced during the latter half of the 19th century beneficial to the nation as a whole? (2) Were the interests of working men and women served by the emerging industrial complex? Teachers can weave their lessons around different aspects of these basic questions. They may also use this material to supplement or even replace the basal text and treat every lesson-chapter as an important part of the traditional story of the Industrial Revolution.

The first chapter defines the term “industrial revolution,” explains what is needed to have one, and provides concrete examples. Chapter 2 covers the philosophies of *laissez-faire* and “survival of the fittest,” along with the theory of “trickle down.” Chapter 3 is the first of three on the oil business in the United States, John D. Rockefeller, and Standard Oil. This series ends with the information and directions needed to stage a mock trial of Standard Oil for allegedly violating the Sherman Antitrust Act.

Chapter 6 shifts to living and working conditions of the men and women who did not benefit from the Industrial Revolution, and Chapter 7 uses the Pullman trial as an example of conflict between labor and management and provides the opportunity for teachers to stage a debate on who—Pullman or his nemesis, Eugene Debs—was primarily responsible for the turmoil accompanying the strike. Chapter 8 describes tactics used in the struggle between management and labor. It also asks students to write an imaginary dialogue between George Pullman and Eugene Debs in which they argue their views on the major issues raised in this unit.

Each chapter is designed to accommodate a wide range of student abilities. The first part of every chapter is written at a lower reading and conceptual level than the second part. The two parts are separated by a series of student exercises, including a graphic organizer and several questions intended to help students master basic information and stimulate higher-order thinking skills. The second part of each chapter, “For Further Consideration,” is written at a higher reading and conceptual level. It is followed by a question that requires students to write a strong paragraph and/or be prepared to present their opinions in class. In some cases, this section continues the story; in others, it challenges students to think deeply about issues related to the overarching question raised in the unit. In addition, I (Inquiry)-Charts are provided to help students optimize what they already know or think about a topic and integrate it with identifiable additional information they find in the text and in other sources. Finally, each lesson includes vocabulary words and key terms in flash card format; these can be used either for review or reference.

This unit is also designed to stimulate informed discussions and higher-order thinking skills rather than recitation and rote learning. Students are provided with the information they need to acquire and share factually supported opinions and/or consider important philosophic issues. Opportunities are provided for a mock trial of Standard Oil for violating the Sherman Act, a debate involving the Pullman Strike, and discussions on *laissez-faire*, business practices, the need for regulation, and the relative importance and prerogatives of management and labor. This unit is designed for students to experience the conflicts and passionate viewpoints of the men and women who made history, and not merely to memorize inert factual information.

Chapter 1. The Industrial Revolution in the USA
Teacher Page

Overview:

To heighten student interest, this chapter starts with a “teaser” on the evolution of musical recordings, from their grandparents listening to vinyl records to their generation’s addiction to iPods. The chapter defines what an industrial revolution is and depicts what life is like in countries that have not been industrialized. It lists seven prerequisites for a nation to industrialize (including raw materials, technology, infrastructure, labor, and capital) and provides examples of how each played a role in America’s industrial revolution (one other prerequisite is covered in Chapter 2). The graphic organizer question asks students to match the prerequisites with specific examples (such as the steam engine). The “For Further Consideration” section provides short biographies of three entrepreneurs and requires advanced students to do further research and prepare a report on one of them.

Objectives:

Students will:
- learn what an industrial revolution is and what is necessary to have one
- be acquainted with the quality of the lives of people living in societies that have not experienced an industrial revolution
- identify examples of each of the prerequisites for an industrial revolution

Strategies:

Before Class: Assign the chapter either up to or including the “For Further Consideration” section and inform students they will be expected to write their answers to all the Student Activities questions covering the assigned section(s).

In Class: Start by asking students to trace the evolution of recordings from vinyl records to iPods and ask them to predict the next innovation. Change the topic to asking them to define the term “industrial revolution,” what is needed to have one, and what life is like in countries that haven’t industrialized. Ask students to share their answers to the graphic organizer question, and see how many can recall details on items such as interchangeable parts, the meeting of the rails, the importance of the steam engine, and so forth. Leave time for advanced students to report on a number of their entrepreneurs.

Chapter 1. The Industrial Revolution in the USA
I-Chart

	What is an industrial revolution?	What is life like in a country that has not industrialized?	What is necessary to have an industrial revolution?
What I already know			
What I learned from Chapter I, Part I			
What I learned from Chapter I, Part II			
What I would still like to learn			

Chapter 1—The Industrial Revolution in the USA

technological	innovation	infrastructure
contaminated	interchangeable	expanding
financed	completion	

Chapter 1—The Industrial Revolution in the USA

The facilities in a country or region (roads, water supplies, etc.) needed for industrial development	A new way of doing things	Having to do with machines, tools, etc. that replace work by hand
Getting larger	When one thing can be used as a substitute for another	Impure, dirty, or polluted
	State of being finished	Paid for by

Chapter 1
The Industrial Revolution in the USA

Introduction

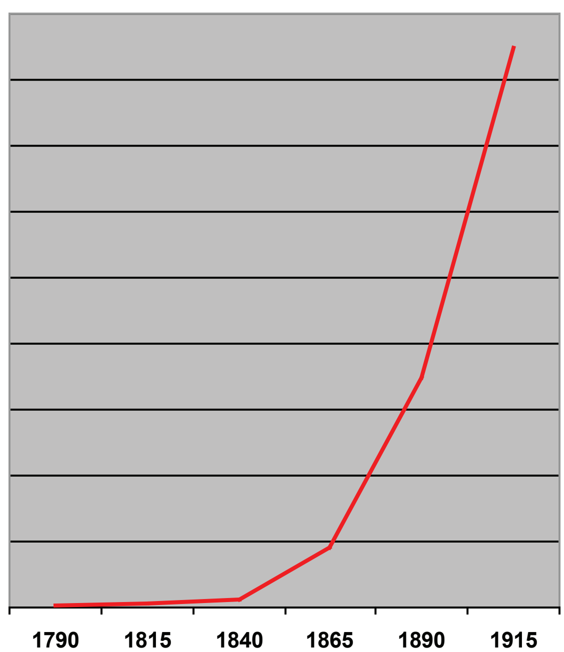
When your great-grandparents were young, they probably listened to heavy 78-rpm records that played for barely four minutes at a time. Later, your grandparents danced to the latest tunes on smaller vinyl “45s” or listened to 33-rpm “long-playing” recordings. Then, around the time your parents were your age, the cassette-tape player came along. Today, records and tapes are largely a thing of the past, and your generation listens to music on iPods, burns their own CDs, and shares their favorite tunes over phones and the Internet. These changes, fueled by the digital age, demonstrate some of the thousands of ways technology has shaped the way we live.

In this chapter, you will learn how the changes that we call the Industrial Revolution started the rapid chain of technological improvements that enrich our lives today.

What is an Industrial Revolution and When Did the U.S. Industrial Revolution Start?

The word “revolution” implies a rapid change and is usually used to describe a political event like the American or the French Revolutions. The term also can be used to describe an economic change. In an “industrial revolution,” there is a rapid change from a society in which most people live on farms to one where most people live in towns or cities. For example, when George Washington was president, nine out of ten Americans made their living by planting and harvesting; today, fewer than three out of 100 people live on farms.

Sometime during the years between 1800 and 1920, the U.S. experienced an industrial revolution that caused many changes in the ways people thought, spent their free time, dressed, traveled, talked to one another, and earned their living. It is difficult to point to the exact years in which these changes took place. Most historians, however, would agree that the smaller changes occurred slowly during the 1790s, picked up during the years before the Civil War, and gathered speed after the war. By 1920, the U.S. had completed its change from a nation of farmers to an industrialized society.



U.S. industrial production, 1790–1915

Advantages of Having an Industrial Revolution

It is easy to see the advantages an industrial revolution can bring. Imagine not having electricity, running water, or a car. Imagine walking 10 miles to a one-room school, wearing clothes that were made at home, and having a fireplace as your only source of heat. These were just a few hardships faced by our pre-industrial ancestors. Today, in countries that have not gone through an industrial revolution, one out of five children die before their fifth birthday, most adults die before reaching age 50, many go hungry and suffer from malnutrition, and a family's yearly income is less than many students in America are likely to spend on their senior prom. People who live in non-industrial countries such as Bangladesh, Haiti, Nigeria, or Algeria typically can't read or write, never see a doctor, get their water from a well that may be contaminated, and share small living quarters with extended families. In an industrialized nation like the United States, however, many of the poor eat meat several times a week and get to see a doctor if they are sick.

What is Necessary to Have an Industrial Revolution?

Industrial revolutions don't just happen. To have an industrial revolution, a country must possess at least seven different things:

- Natural resources, such as fertile soil, coal, and iron ore
- Basic inventions, such as the telegraph and electric generators
- A transportation system, called an infrastructure, that includes roads and railroads
- A large workforce
- A surplus of money to invest
- Men or women of talent, ambition, and energy, with administrative abilities
- A favorable government policy

Raw Materials

England was the first country to industrialize, but France and Germany soon followed. Across the Atlantic Ocean, the United States was also beginning to industrialize. Always rich in natural resources, the former English colonies were blessed with a huge supply of fertile land. Dense forests throughout the country supplied wood for building and heating. In the Northeast, many swift rivers provided the power to turn water wheels. Huge deposits of coal were discovered in the Allegheny Mountains around the time of the Civil War. The mighty Mesabi Mountain Range in Minnesota provided the ore needed to make iron and steel. Rich deposits of copper were found in the West. Reserves of crude oil were discovered in Pennsylvania and Ohio, and when these ran out, new ones were found in Oklahoma and Texas. The United States was truly a land of plenty.

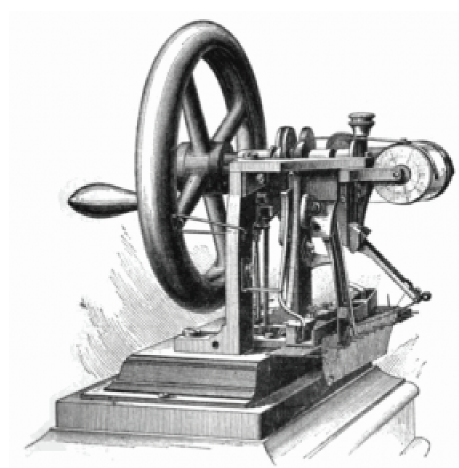
Inventions

Even more important than his invention of the cotton gin was Eli Whitney's discovery of the idea of interchangeable parts

Although many of the machines needed for industrialization were devised in England, it was not long before Americans added to the world's list of important inventions. Eli Whitney made a machine that separated cotton fiber from cottonseeds at a rate 50 times faster than it took one man to clean a pound of cotton. Years later Whitney was able to demonstrate the principle of making *interchangeable parts.* He showed a government committee how each of the different parts of a rifle—the stocks, triggers, rifle barrels, etc.—could be made exactly alike. Even a worker with no training could pick any part from a series of piles and assemble them into a working gun.

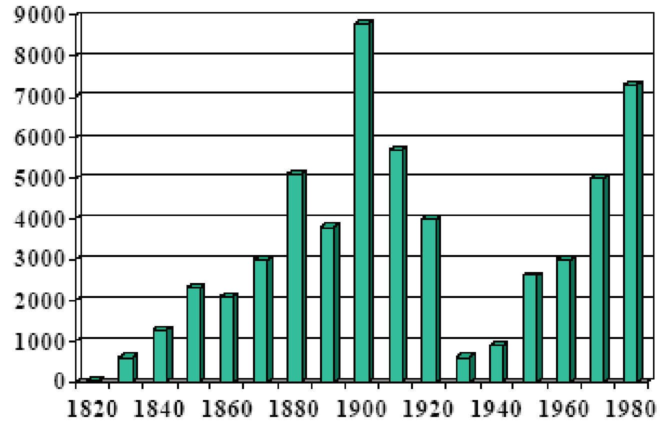
James Watt, a Scot, is credited with inventing the steam engine that was first used in factories in England. Robert Fuller, an American, revolutionized water transportation by attaching a steam engine to paddlewheels and was able to send ships "steaming" up America's rivers. Not long afterwards, Watt's basic invention was mounted on wheels, giving birth to the first American railroad. The Baltimore and Ohio started in 1828, at about the same time that the British began building their first railroad. Many minor inventions were needed to make the railroad safe and efficient, including the cowcatcher, which swept animals off the track (inventor unknown), and George Westinghouse's brainchild, the air brake. Railroad mileage in the U.S. expanded quickly in the 1840s and reached 30,000 miles by 1860.

Many other American inventors contributed to the industrialization of the U.S. as well as western Europe. Elias Howe invented the sewing machine in 1846 and Isaac Singer perfected it. An African American by the name of Jan Matzelinger made a machine that could sew the sole to the top of a shoe. Samuel Morse's creation—a series of dots and dashes called the Morse code—was used by telegraph operators to represent the letters of the alphabet; and a man named Colt invented a revolver that fired bullets in a matter of seconds. In 1839, Charles Goodyear turned springy rubber into hardened surfaces by a process called vulcanization. In the 1850s, an American, William Kelly, invented a process for turning iron into steel. By 1860, the U.S. Patent Office had granted 36,000 applications, and 30 years later, 440,000 patents had been issued.



Howe's sewing machine

Workers



Levels of immigration (in thousands)

The workforce for America's Industrial Revolution came from two sources. First, inventions such as the mechanical reaper meant that machines could do much of the work on farms that people used to do. With less labor needed to run farms, hundreds of thousands of people decided to move to the city, where they found jobs in the new factories and offices built during this industrial age. Women found work as typists, salespersons, and clerks, as well as well as in teaching, cleaning, and nursing. By 1900, there were a total of 5 million women working outside of the home, representing 17% of the work force. Their pay was barely half the amount paid to men. Over 1.7 million children under 16 years of age had also entered the workforce by 1900 and were paid even less than women.

Meanwhile, millions of immigrants left England, Germany, Italy, Poland, Romania, Russia, Greece, and dozens of other countries and came to the United States, where they hoped to find jobs created by the Industrial Revolution.


The famous "East meets West" photo taken at Promontory Summit, Utah, May 10, 1869

The Infrastructure

The infrastructure that included, first and foremost, a system of transportation was also constructed during the Industrial Revolution. By the time of the Civil War, there were already 30,000 miles of railroads spanning America. This was just the start. Another 200,000 miles of railroads were built between 1865 and 1910. Steel rails covered the country, connecting East to West, North to South, and all regions in between. Certain captains of industry, like Cornelius Vanderbilt and James J. Hill, played leading roles in this feat. The most notable accomplishment was completing the transcontinental railroad in 1869. The occasion was celebrated by hammering the famous golden spike into the ground where track coming from the east met track from the west. Millions of dollars and over 400,000,000 acres of land were granted to the corporations that built these railroads. Built in a hurry, the railroad track needed was often torn up later and replaced in order to make travel safer.

Capital

Then of course there was money! The American Industrial Revolution was financed by two sources: first, profits from previous commerce, such as New England's famous "China trade" of the 1840s and later from the profits made by industrialists like Andrew Carnegie and John D. Rockefeller; second, from investors from foreign countries, particularly the British. Foreigners invested over 500,000,000 dollars in American businesses before the Civil War. America's stable society and rule of law, in addition to an ever-expanding economy, gave investors a reasonable chance of making large profits.

Industrial Leaders and Favorable Government Policy

The Industrial Revolution in the U.S. may never have occurred without the contributions of a small group of talented and hardworking men. They applied their intelligence, daring, energy, and special skills to making money by creating huge industrial empires. A few of the most important are mentioned here. Industrial leaders will be discussed later in the "For Further Consideration" section. Favorable government policy, which helped them build the industrial empires that made them rich and famous, will be discussed in the next chapter.

Student Activities

A. Student Exercises

1. What is an industrial revolution and what is needed to have one?

2. Compare the way people live in countries that have not yet had an industrial revolution with the way people live in countries that have had one.

B. Graphic Organizer

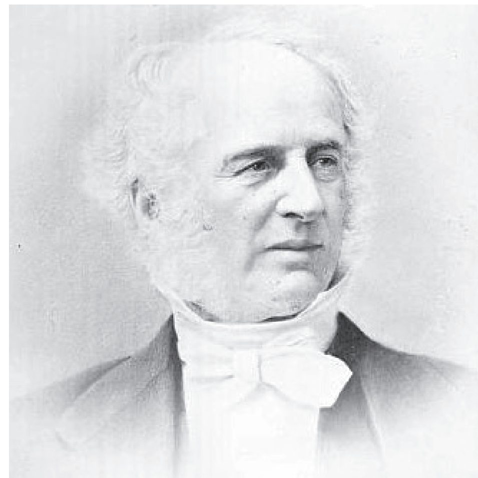
In the chart below, place each of the following examples of what was needed to have an industrial revolution under its proper heading.

Raw materials	**Technology**	**Infrastructure**	**Workers**

- Mesabi Range
- Telegraph
- Oil
- Meeting of the rails
- People leaving farms
- Grand Central Station
- Immigrants
- Roads and canals
- Women
- Sewing machine
- Coal
- Interchangeable parts

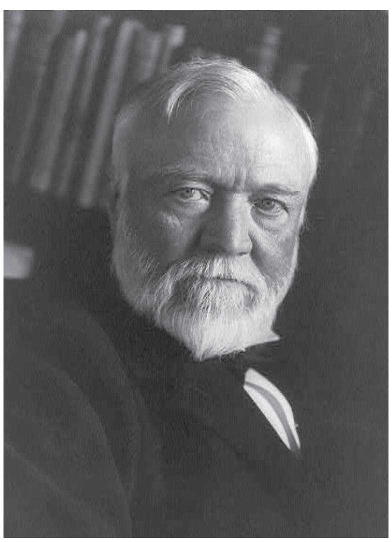
For Further Consideration: Entrepreneurs of the Industrial Revolution

Cornelius Vanderbilt (1794–1877)



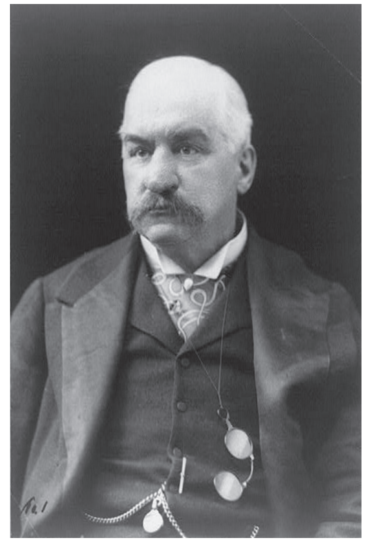
With a $100 loan from his father, Vanderbilt began his business career by opening a local ferry service. He repaid his dad tenfold within a year. Known for his confession “I have been insane on the subject of making money all my life,” Vanderbilt started in earnest by running sailboats along the Hudson River before moving up to the paddlewheel steamer. His bold business practices soon put Robert Fulton out of business and allowed him to capture the Hudson River trade halfway up to Albany. Vanderbilt then switched to the profitable coastal trade between New York and New England, and in the 1850s he ran ships to Nicaragua to make money on the gold rush. At the age of 70, Vanderbilt switched to building and buying railroads. He gained control of the New York Central Railroad, extended its reach to Chicago, and built Grand Central Station in New York City.

Andrew Carnegie (1835–1919)



Carnegie’s family left their native Scotland when Andrew was 13. He soon went to work in a cotton mill, taught himself to read, and continued to educate himself all of his life. He held a number of different jobs before learning Morse code and finding work as private secretary to Tom Scott, director of the Pennsylvania Railroad’s western division. After making several shrewd investments, Carnegie entered the iron and steel-making business at the age of 26. He started his own company four years later. By introducing new technology, cutting costs, making careful purchases, hiring capable assistants, and using convincing salesmanship, Carnegie was able to control one-fourth of the U.S. steel-making capacity. He sold his company for $700,000,000 (over $10 billion in year 2008 dollars) to JP Morgan, who combined it with other companies in 1901 to form U.S. Steel, which was valued at $1.4 billion. Believing it was wrong for a person to die rich, Carnegie devoted the rest of his life and much of his fortune to making charitable contributions.

John Pierpont (JP) Morgan (1837-1913)



J.P. Morgan played a leading role in his father's investment firm before taking full control in 1890. He quickly became the world's most influential banker. He lent money to Thomas Edison, bought out Andrew Carnegie to form the world's first billion-dollar corporation, financed dozens of railroad mergers, and controlled numerous banks, mines, and insurance companies. He even lent money to the U.S. government at a considerable personal profit in order to maintain the gold standard. He used his own money to support the stock market in 1907. His money helped big businesses control entire industries by buying out smaller companies. Morgan, however, always claimed that being honest and trustworthy were the reasons for his success.

Read and take notes on the short biographies and do some research on one of the men whose biography you read or on an entrepreneur of your choosing (such as Bill Gates). Prepare notes to give an oral report on the entrepreneur you chose. Include that person's accomplishments and the methods they used to succeed.

Chapter 2. The Theories of *Laissez-Faire* and Survival of the Fittest
Teacher Page

Overview:

This chapter begins with an overview of the U.S. government's pro-business policies that accelerated the Industrial Revolution. This is followed by an explanation of the doctrine of *laissez-faire*, the "invisible hand," and Adam Smith's claim that "every person is a better judge of his own affairs than any president." For good measure, the chapter also introduces the concept of Social Darwinism by using the words of William Graham Sumner to get across his idea that nature rewards the fittest and that government policy should not favor the less fit.

The chapter counters the ideas of the two advocates of *laissez-faire* and Social Darwinism with the words of Henry Demarest Lloyd. This utopian thinker argued that business morals and practices of the time would be considered horrific if applied in other areas of society. Using the analogy of the cooperative nature of family life, Lloyd pointed out that the highest values of civilization are realized only when individuals pursue the common good. He also complained that monopolies prevent necessities from being priced low enough to meet the needs of the majority.

The Graphic Organizer asks students to attribute phrases expressing ideas as belonging to the Smith/Sumner or to the Lloyd school of thought. The "For Further Consideration" section has students read a selection from Andrew Carnegie's *The Gospel of Wealth* and assess whether voluntary redistribution is more productive than charity or some form of legislation that helps the poor.

Objectives:

Students will:

- understand the reasoning behind the doctrines of *laissez-faire* and Social Darwinism and the limitations of these ideas
- understand that businessmen who opposed government regulations also sought favors from government such as high tariffs, generous subsidies, and protection against strikes
- understand that civilization depends on compassion as much as on the rule of tooth and claw

Strategies:

Before class: Assign the chapter either up to or including the "For Further Consideration" section and inform students they will be expected to write their answers to all the Student Activities questions covering the assigned section(s).

In class: You might begin a discussion of *laissez-faire* and survival of the fittest by asking whether governments should prohibit text messaging while driving (or mandate the use of seat belts). This question should lead into a discussion of Adam Smith's, William Sumner's, and Henry Lloyd's beliefs. Take care to see that students thoroughly understand the reasoning of the "invisible hand" and the Social Darwinist's adaptation of the theory of evolution to human society. Note that Lloyd thought of society as a family where the strong share equally with the weak; introduce students to the idea that cooperative behavior can lead to better results than competition. Note, too, that lack of regulation would allow factories to pollute streams, monopolists to raise prices, and processors to sell tainted meats, while excessive regulation can stifle initiative and progress.

Ask students to share their answers to the Graphic Organizer question, and discuss which ideas strike them as credible. If possible, allow time for students who read the "For Further Consideration" section to explain whether they agree with Carnegie's defense of capitalism and his reliance solely on the rich to redistribute their excess wealth judicially.

Chapter 2. The Theories of *Laissez-Faire* and Survival of the Fittest I-Chart

	Laissez-faire	Social Darwinism	Henry Demarest Lloyd
What I already know			
What I learned from Chapter 2, Part I			
What I learned from Chapter 2, Part II			
What I would still like to learn			

Chapter 2—The Theories of Laissez-Faire and Survival of the Fittest

internal improvements	discouraged	peddle
suppressed	discredit	
profess	compel	

Chapter 2—The Theories of Laissez-Faire and Survival of the Fittest

To sell something, usually by going from one place to another	Made to feel less hopeful	Public projects such as roads, canals, etc. during the 19th century
	To cause doubt about something or someone	Kept or put down
	To force someone to do something	To claim to believe

Chapter 2

The Theories of *Laissez-Faire* and Survival of the Fittest

Prelude and Introduction

Beginning with Alexander Hamilton's proposals for a federal bank, a protective tariff, and government-financed internal improvements, the U.S. government played an important part in encouraging industrial development. However, the real assistance for industrial growth came after the Civil War, when the North managed to get high protective tariffs to shield American businesses from foreign competition. An open immigration policy guaranteed a plentiful supply of people willing to work for long hours at low wages. The national government, as well as state and local ones, discouraged and often suppressed strikes by workers seeking higher wages. A sound money policy encouraged creditors to lend money because they would be repaid with dollars worth as much or more than the dollars they lent. The government gave millions of dollars and acres of land to corporations in order to get them to lay more railroad track to connect and bring the different regions of the country closer.

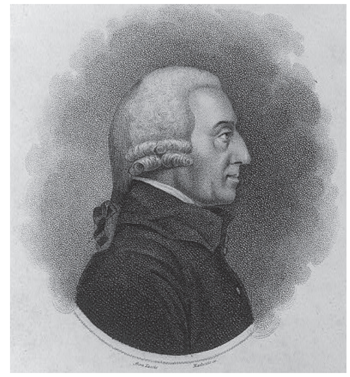
Another important government policy regarding businesses was to leave them alone and unregulated. That way businessmen did not have to worry about government interfering with their activities, and they had the freedom (within limits) to make money in any way they could. This policy was based on a belief in "*laissez-faire*" and "survival of the fittest," two theories that will be explained in this chapter.

Laissez-Faire, Adam Smith, and the Invisible Hand

> It is not from the [kindness] of the butcher, the brewer, or the baker that we expect our dinner, but from their regard to their own interest.—Adam Smith

The words "*laissez-faire*" are an abbreviation of a phrase that originally read, "*laissez-faire passer le monde de lui meme.*" (Don't interfere; the world will take care of itself.) This advice was directed at the French government well over 250 years ago. At that time, there were laws dealing with nearly every aspect of business: for example, tanners were told when they could slaughter their cattle, and weavers were told how many strands of thread must be woven into each inch of cloth. Those who broke the rules could be prevented from staying in business; if they continued to break them, they could lose a finger, hand, or even an arm.

The businessmen of France felt that they would be much better off if left alone and were free of rules they thought were ridiculous. Philosophers who agreed began to write essays that called for "*laissez-faire*," but, it was a Scotsman, Adam Smith, who made the idea famous. In his book, *The Wealth of Nations,* he argued that all limits on business should be removed.



Adam Smith

One of the most important ideas in Adam Smith's book was the idea of the "invisible hand." Smith believed that some invisible force would always guide the selfish acts of individuals and ultimately help the country:

> [B]y working for his own private gain, the businessman must produce as much as he can, and for the lowest price. In order to sell his goods he charges very little. This will help society as a whole, even though that was not his purpose. The invisible hand thus directs selfish acts for the good of the community.

He urged trust in the invisible hand and not in the government:

> [E]very person is a much better judge of what is good for him than any President, Governor or Congressman. When the government starts telling people what they should do with their money, they are telling people how to mind their own business. This will make a bigger [mess] than that which they tried to correct.

Survival of the Fittest

The philosophy of laissez-faire was given unexpected support from a famous English scientist, Charles Darwin. Darwin's book, The Origins of the Species, appeared in 1859. It made quite a stir because it argued that humans had descended from the apes by a process known as evolution. Darwin claimed evolution worked because more animals in any species are born than can possibly survive. Only those whose particular features allow them to adapt to their environments live long enough to produce children. These children will probably inherit the characteristics that made their parents more fit. The giraffe, for instance, developed its long neck because short-necked giraffes could not reach the leaves from the top of trees. The "fittest" giraffes, therefore, were those with long necks, and their long-necked children would be more likely to live and reproduce.

Charles Darwin never intended to apply his theory of evolution by "natural selection" to human society. Others, however, could not resist. Philosophers rather than scientists adopted the theory of natural selection and survival of the fittest to explain social relations. These men were called Social Darwinists, and their philosophy was called Social Darwinism. William Graham Sumner, who became America's leading philosopher of Social Darwinism, argued:

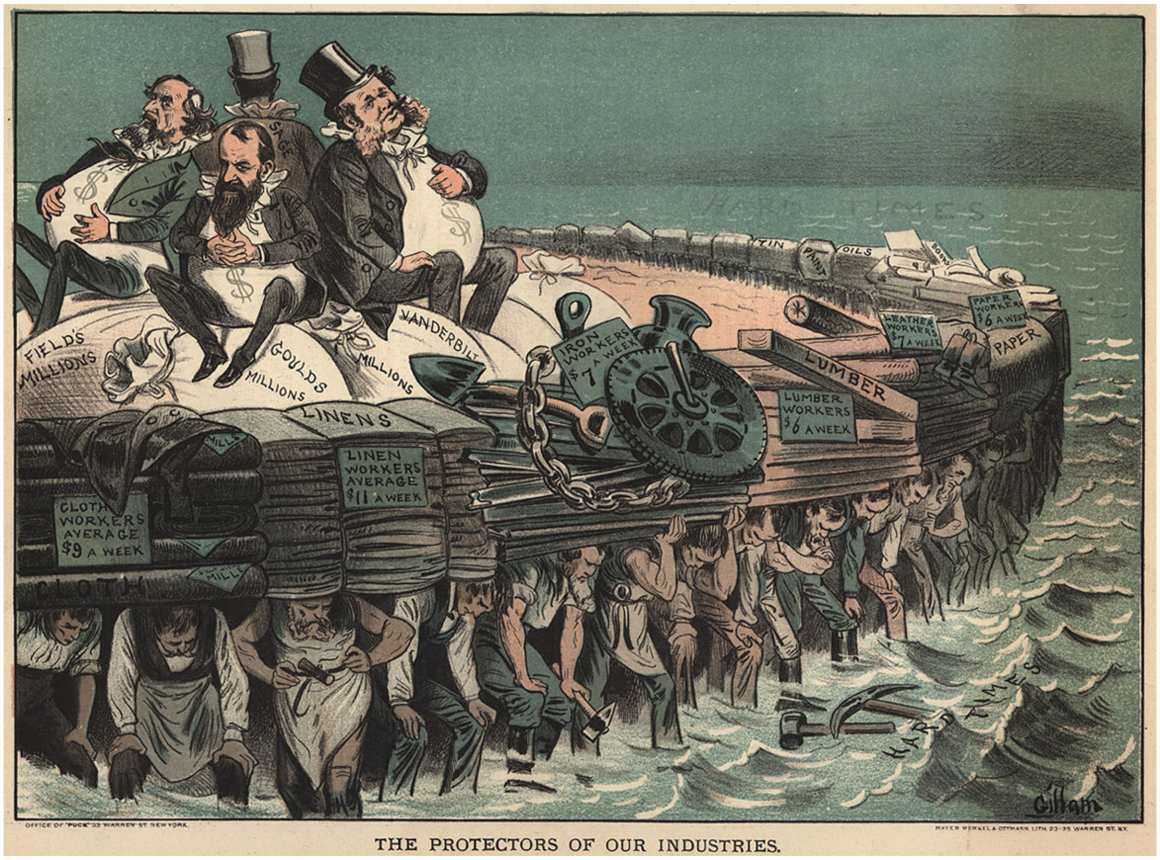
> Competition, therefore, is a law of nature. Nature is entirely neutral. She gives her rewards to the fittest. Men get from nature just what they deserve; what they have and enjoy is always a result of what they can and do. This is the system of nature. If we do not like it and try to change it, there is only one way we can do it. We can take from the better and give to the worse. We can give the rewards to those who have failed in life. This might lessen the inequalities. But, it shall favor the survival of the less fit, and shall be accomplished by destroying liberty, and this would be foolish.

Successful businessmen quite naturally were attracted to the philosophy of *laissez-faire* and survival of the fittest. They saw their own success in business as a result of the laws of nature. Businesses destroyed in competition and men unable to support their families were considered as unfit for survival as the short-necked giraffe. Helping losers instead of rewarding winners, according to Social Darwinists, would only encourage the lazy and continue the traits that did not equip people for survival. Thus, government help—no matter how well intended—would only weaken society.

A Different View

One of the early critics of the philosophy of Social Darwinism was Henry Demarest Lloyd, author of *Wealth Against Commonwealth.* Writing in 1894, Lloyd claimed that:

> There is no other field of human associations in which any such rule of action [as Survival of the Fittest] is allowed. The man who should apply in his family or his citizenship this "survival of the fittest" theory as it is practically professed and operated in business would be a monster, and would speedily be made extinct, as we do with monsters. To divide the supply of food between himself and his children according to their relative powers…to follow his conception [idea] of his own self-interest in any matter which the self-interest of all has taken charge of…would be a short road to the penitentiary [jail] or the gallows [execution; death]...In trade [business] men have not yet risen to the level of the family life of the animals. The true law of business is that all must pursue the interest of all. In the law, the highest product of civilization, this has long been a commonplace. The safety of the people is the supreme law…



Cartoon showing that prosperity did not slide down to the poor

Lloyd also argued that:

> …our industries, from railroads to workingmen are being organize to prevent milk, nails, lumber, freights, labor, soothing syrup, and all other things from becoming too cheap. The majority have never yet been able to buy enough of anything. The minority have too much of everything to sell…Society is letting these combinations become institutions without compelling them to adjust their charges to the cost of production, which used to be the universal rule of price.

Laissez-Faire and Survival of the Fittest on Trial

The ideas preached by Adam Smith, William Graham Sumner, and John Rockefeller could be backed with some important statistics. During the great age of *laissez-faire*, between 1860 and 1915, production in the United States increased 1200 percent. During this period, America moved from a second-rate industrial power, behind England and France, to the world's leading economic giant. By 1915, America produced more than one-third of the world's steel and built almost one-half of its railroads. Entrepreneurs made fortunes in oil, steel, meatpacking, shoemaking, and hundreds of other industries. Businessmen who had started with hardly a penny rose to command industrial empires richer than many countries. Poor peddlers became millionaires, hardworking immigrants made fortunes, workers rose to become bosses, and the sons of peasant farmers became the fathers of successful lawyers, doctors, salesmen, and accountants.

Success, however, was not uniform. While some millionaires spent fortunes in wild displays of their wealth, millions went to bed hungry every night. Many thousands were killed or seriously injured in industrial accidents. Farmers were driven off their lands, immigrants were unable to get jobs, residents of cities could not educate their children, and youngsters aged 10 and 11 were forced to work for a few cents per hour. Forests were stripped, waters polluted, and natural resources were wasted and depleted. Politicians were bribed, workers were underpaid, and the standard of living for the average family hardly improved.

Those who did not profit from *laissez-faire*—the so-called "unfit," as well as socially conscious members of the middle class, including clergymen, teachers, lawyers, and even a number of businessmen—did not agree with this philosophy. They eventually applied enough pressure to introduce government regulation of business to protect the unfortunate.

Student Activities

A. Student Exercises

1. Explain the meaning of the term laissez-faire and the logic behind the idea of the “invisible hand.”

2. Do you think there is an essential contradiction between businesses wanting government to practice a hands-off policy in regulating them, but at the same time seeking government assistance with tax, tariff, money, labor, and immigration policies? Explain.

3. Explain the theory of evolution and how it was used to account for success in business.

4. What did Henry Demarest Lloyd mean when he said “the safety of civilization is the highest law?” Explain why you do or do not agree with him.

B. Graphic Organizer

From the list below, place ideas or facts in their proper place on the chart:

Ideas or facts that support Smith and Sumner's philosophies	Ideas or facts that support Lloyd's philosophy

- Millions remained poor
- The U.S.'s economy became #1 in the world
- A good father shares his blessings with his family
- Success comes from hard work + native ability
- Thousands died in industrial accidents
- Wealth of the few trickles down to the poor
- Global warming is a result of human activity
- Millions of children were forced to work long hours
- Helping the less fit weakens society
- The giraffe got its long neck because it could reach the highest leaves
- The invisible hand takes from the poor and gives to the rich
- Vanderbilt's, Morgan's, and Carnegie's success came from hard work

For Further Consideration: The Gospel of Wealth

With a fortune rivaling John D. Rockefeller's, steel magnate Andrew Carnegie embraced a belief in survival of the fittest. However, he was not satisfied with merely accumulating money—he felt it was the duty of the man who created wealth to share the rewards of his hard work and shrewd business practices. In a well-known essay, *The Gospel of Wealth*, Carnegie explained his philosophy. As you read it, think about whether the responsible redistribution of personal wealth is a good substitute for measures such as a graduated income tax, laws requiring payment of a living wage, unemployment insurance, and public housing.

Competition is Best for the Race

The price which society pays for the law of competition, like the price it pays for cheap comforts and luxuries, is also great; but the advantages of this law are also greater still, for it is to this law that we owe our wonderful material development, which brings improved conditions in its train. But, whether the law be benign or not, we must say of it, as we say of the change in the conditions of men to which we have referred: It is here; we cannot evade it; no substitutes for it have been found; and while the law may be sometimes hard for the individual, it is best for the race, because it insures the survival of the fittest in every department. We accept and welcome, therefore, as conditions to which we must accommodate ourselves, great inequality of environment, the concentration of business, industrial and commercial, in the hands of a few, and the law of competition between these, as being not only beneficial, but essential for the future progress of the race.

Avoid Socialism

The Socialist or Anarchist who seeks to overturn present conditions is to be regarded as attacking the foundation upon which civilization itself rests, for civilization took its start from the day that the capable, industrious workman said to his incompetent and lazy fellow, "If thou dost not sow, thou shalt not reap," and thus ended primitive Communism by separating the drones from the bees. … To those who propose to substitute Communism for this intense Individualism the answer, therefore, is: The race has tried that. All progress from that barbarous day to the present time has resulted from its displacement. Not evil, but good, has come to the race from the accumulation of wealth by those who have the ability and energy that produce it. Our duty is with what is practicable now; with the next step possible in our day and generation. It is criminal to waste our energies in endeavoring to uproot, when all we can profitably or possibly accomplish is to bend the universal tree of humanity a little in the direction most favorable to the production of good fruit under existing circumstances…

No Charity

...One of the serious obstacles to the improvement of our race is indiscriminate charity.... Of every thousand dollars spent in so called charity to-day, it is probable that $950 is unwisely spent; so spent, indeed, as to produce the very evils which it proposes to mitigate or cure. A well-known writer of philosophic books admitted the other day that he had given a quarter of a dollar to a man who approached him as he was coming to visit the house of his friend. He knew nothing of the habits of this beggar; knew not the use that would be made of this money, although he had every reason to suspect that it would be spent improperly. … [T]he quarter-dollar given that night will probably work more injury than all the money which its thoughtless donor will ever be able to give in true charity will do good. …

Duty of the Man of Wealth

Poor and restricted are our opportunities in this life; narrow our horizon; our best work most imperfect; but rich men should be thankful for one inestimable boon. They have it in their power during their lives to busy themselves in organizing benefactions from which the masses of their fellows will derive lasting advantage, and thus dignify their own lives.

This, then, is held to be the duty of the man of Wealth: First, to set an example of modest, unostentatious living, shunning display or extravagance; to provide moderately for the legitimate wants of those dependent upon him; and after doing so to consider all surplus revenues which come to him simply as trust funds, which he is called upon to administer, and strictly bound as a matter of duty to administer in the manner which, in his judgment, is best calculated to produce the most beneficial results for the community -- the man of wealth thus becoming the mere agent and trustee for his poorer brethren, bringing to their service his superior wisdom, experience, and ability to administer, doing for them better than they would or could do for themselves.[1]

Write a summary of Andrew Carnegie's case that the responsible redistribution of personal wealth is more productive than charity or some form of legislation that helps the poor. Write a strong paragraph explaining why you do or do not agree with Carnegie. Be prepared to present your opinion, to listen to the opinions of others, and to either defend your own or change your mind.

1 Section headings are added; large segments from original text has been omitted but wording has not been changed.

Chapter 3. How Rockefeller and Standard Oil Got Their Start
Teacher Page

Overview:

This chapter starts with a description of the early years of the oil business, beginning with Colonel Drake's first commercially successful oil well, and continues by describing the lawless conditions in western Pennsylvania's oil fields. The narrative continues with a description of Rockefeller's family life, with a deeply religious mother and an often-absent father who was also a bigamist. It depicts Rockefeller's career as a bookkeeper and flour salesman followed by his entry into the oil business in 1863. The chapter ends in 1870 with Rockefeller's modern plant in Cleveland facing competition from 25 other refineries. The "For Further Consideration" section continues the story, telling how Rockefeller formed the South Improvement Company, invited other refiners to join him, and then negotiated a favorable deal with the three railroads serving Cleveland. It tells how, within two years, the other refineries either went out of business or were bought by Rockefeller. Students are left to debate whether there should have been a law preventing businesses from using the tactics Rockefeller employed to monopolize the oil industries in Cleveland.

Objectives:

Students will:

- know how the oil industry started in western Pennsylvania to supply customers with the fuel to heat and light their homes
- understand how wildcatters in the oil fields competed with one another
- know something about Rockefeller's difficult family life, his early days in the oil business, and his careful attention to detail
- analyze the deal Rockefeller's South Improvement Company made with three railroads that encouraged his erstwhile competitors to sell him their refineries
- participate in a debate on the above topics by playing the parts of various historical figures

Strategies:

Before class: Make a decision whether you wish to cover this chapter in one or two days. Assign up to or including the "For Further Consideration" section and inform students that they will be expected to write their answers to all the Student Activities questions covering the assigned sections(s).

In class: Start class by discussing the unregulated competition among wildcatters in western Pennsylvania's oil fields and ask whether this provided an argument for or against more *laissez-faire*. Next, review the development of the oil industry from whale blubber to kerosene and discuss Rockefeller's early life. Ask students to share their answers to the question about his meticulous efforts to save his firm's money. Cover his career up to the year 1870, when Standard Oil, which refined one-eighth of the oil in Cleveland, faced competition from 25 refineries. After that, decide whether you want to (a) spend the remainder of the class preparing students to debate the deal Rockefeller negotiated with the railroads and its role in eliminating his competitors; or (b) start the debate right away. In either case, explain the terms “rebate” and “drawback” and review other pertinent clauses in his deal with the three railroads serving Cleveland. If necessary, state the arguments for or against allowing businesses to indulge in this kind of competition. If you plan a formal debate for the next day, assign students to play (1) Rockefeller, (2) his former business rival, John Alexander, (3) a follower of Smith and Sumner, and (4) a follower of Henry Demarest Lloyd. Help students prepare to play these parts for the next time your class meets. It is entirely possible that the debate will be productive for only 20–30 minutes, so be sure to have a plan B.

Chapter 3. How Rockefeller and Standard Oil Got Their Start
I-Chart

	Who was John D. Rockefeller?	How did his careful management help Standard Oil grow?	Did Rockefeller engage in business practices that should not be allowed today?
What I already know			
What I learned from Chapter 3, Part I			
What I learned from Chapter 3, Part 2			
What I would still like to learn			

Chapter 3—How Rockefeller and Standard Oil Got Their Start

prospector	creature	ambition
supervise	shoestring	investigation
in conjunction with	devious	grossly

Chapter 3—How Rockefeller and Standard Oil Got Their Start

A strong desire to accomplish something	Any living animal or person; however, the term often refers to something unpleasant	Usually, someone who searches for valuable minerals, such as gold or silver
An attempt to find out what and/or why something happened	Running something on a tight budget or for very little money	To see and ensure that a job is being done the way it should
Far too much, to an unpleasant extent	Done in an underhanded way	Together with something or someone else

Chapter 3

How Rockefeller and Standard Oil Got Their Start

Introduction

Wooden oil derrick

Today, you flick a switch and a dark room is filled with light. One hundred and fifty years ago, you would have had to either light a candle or light a whale-oil lamp. Thirty years later, kerosene replaced the oil made from whale blubber. As you will see, this change gave John D. Rockefeller the chance to become the richest man in America. You will also learn how Rockefeller drove his competitors out of business and gained control of an entire industry. The methods he used were not very different from the way a whole group of shrewd and ambitious businessmen changed America and became very rich. By studying the methods used to expand and control the oil industry, you will learn something about competition in the days of *laissez-faire* and the techniques used by the "fittest" to survive and grow.

The Early Days of the Oil Industry

In the 1840s, ships from New England sailed the oceans for years at a time searching for whales. Blubber taken from these giant creatures provided the oil used to light millions of homes. However, these long voyages came to an end when a Canadian discovered that a black liquid that oozed up to the earth's surface could be refined into kerosene, which would eventually replace whale oil. As a result, the search for whales was rapidly replaced by a search for oil.

Oil had often been found leaking into farmers' fields in the western parts of Pennsylvania. In August 1859, Colonel Edwin Drake became the first person to drill for and strike oil. Drake was eventually able to extract, store, and sell some $500 worth of this black gold every day, an amount equal to the average man's yearly salary. Drake's success led to an oil boom in Pennsylvania just ten years after gold was discovered in California. The bloody Civil War, which lasted from 1861 to 1865, did not interrupt this oil boom. Attracted by stories of easy riches, hundreds of men flocked into the western parts of Pennsylvania to seek their fortune.

Colonel Edwin Drake

As hundreds of prospectors swarmed into Pennsylvania, a state of lawlessness prevailed and shady practices became common. Shrewd farmers charged thousands of dollars for the privilege of drilling wells on their land. Some filled empty holes with oil and sold them as good wells. Men drilled at an angle in order to draw oil from underground pools beneath their neighbors' property. Teamsters charged hundreds of dollars to haul heavy barrels of oil to the railroads. When pipelines were constructed during the day to reduce transportation costs, teamsters tore them up at night. Soon, armed guards were hired to protect private property.

The price of oil rose and fell. A 42-gallon barrel of oil once sold for $20; two years later, the same barrel sold for $12.00, and six months later for 10 cents. When prices fell, hundreds of prospectors were forced out of business. Those still in business made quick fortunes when prices recovered.

John D. Rockefeller and the Oil Business


John D. Rockefeller in 1875

John D. Rockefeller's success in business made him the richest man in America. He was born in 1839, the son a religious woman who attended church every Sunday and insisted her children do the same. His father was a cheerful bigamist who lived by his wits and had children with different women. A jovial and charming man, he disappeared from his family's home for months at a time. Bill Rockefeller supported his family by earning enough money in such questionable ways as selling mineral waters to cure cancer. The father sharpened his sons' wits by lending them money at 10 percent interest. He enjoyed cheating them and taught them to trust no one, not even him.

John had hoped to become a minister, but the family did not have the money to send him to college. A shy and quiet lad and not a brilliant student, John stopped attending school when he was 16. He went to work as a bookkeeper for $25 a month and began making donations to the church that he attended regularly. While still a young man, Rockefeller taught Sunday school, gave one-tenth of his salary to religious causes, and saved as much as he could. Over his lifetime, Rockefeller became the richest man in America, gave away $530 million (many billions by today's standards), and at one time was worth $900 million.

In the same year that Colonel Drake drilled his first oil well, John D. Rockefeller and a partner began buying and selling farm products. Rockefeller avoided serving in the U.S. army during the Civil War by paying someone $300 to take his place. Instead of soldiering, Rockefeller and a partner made a small fortune selling flour to the Union army. By 1863, he was ready to go into a new business. After careful investigation, he decided to start refining crude oil into kerosene that people could use to burn in their lamps and stoves. At that time, unrefined oil was selling for 40 cents a 42-gallon barrel, but kerosene was sold for 40 cents a gallon. Rockefeller thought that he could make his fortune by refining the crude oil into kerosene.

Rockefeller decided that his business would not be a shoestring operation. He planned and built an efficient and modern factory equipped with the best machinery money could buy. He cut expenses in every way possible. Rather than buy oil barrels at high prices, he hired workmen to make them. Rather than buy the wood needed to make the barrels, he bought an entire forest. When he learned the cost of hauling green wood into his barrel-making shop, he built kilns to dry the wood and make it easier to transport. Rockefeller himself arrived at his shop at 6:30 every workday morning to supervise his workers. To speed production, he did as much of the heavy lifting as was needed. He took great pains to see that there was no waste. No detail was too small to escape his sharp eyes. Savings of only a few cents per barrel could eventually be translated into thousands of dollars in profits.

Rockefeller wanted to know:

« Last month you reported on hand, 1119 bungs[1]. 10,000 were sent you beginning this month. You have used 9527 this month. You report 1092 on hand. What has become of the other 500?»

1 Small corks used to close barrels

Rockefeller's care and shrewdness soon paid off. In 1865, he was able to buy out one of his partners for $72,000. Five years later, together with his brother William and two other partners, Rockefeller formed a corporation called Standard Oil. It was worth $1million at the time of its founding and was later reorganized as Eastern Seaboard Standard Oil (Esso). Today, it is known as Exxon Mobile and its profits in 2005 set a world record of $36.1 billion.

Exxon Mobil	**36.1 billion**	**2005**
Exxon Mobil	**25.3 billion**	**2004**
Citigroup	**24.6 billion**	**2005**
Ford Motor	**22.1 billion**	**1998**

Record profits of major corporations and the year these profits were made

John D. Rockefeller and his partners started the Standard Oil Company in Cleveland, Ohio in 1870. It was the largest refinery in the United States at the time and much larger than any of the other 25 oil refineries in Cleveland. Standard Oil refined about 1500 barrels of crude oil into kerosene every day—about 12 percent of the city's 10,000–12,000 barrel a day production, and about 4 percent of the U.S.'s refining business.

Just two years later, John D. Rockefeller and his partners owned the only oil refinery in Cleveland. All the others were either sold to Standard Oil or went out of business. Read the "For Further Consideration" section of this chapter to learn how Rockefeller gained control of the oil business in Cleveland, and be prepared to decide whether these methods should have been allowed.

Student Activities

A. Student Exercises

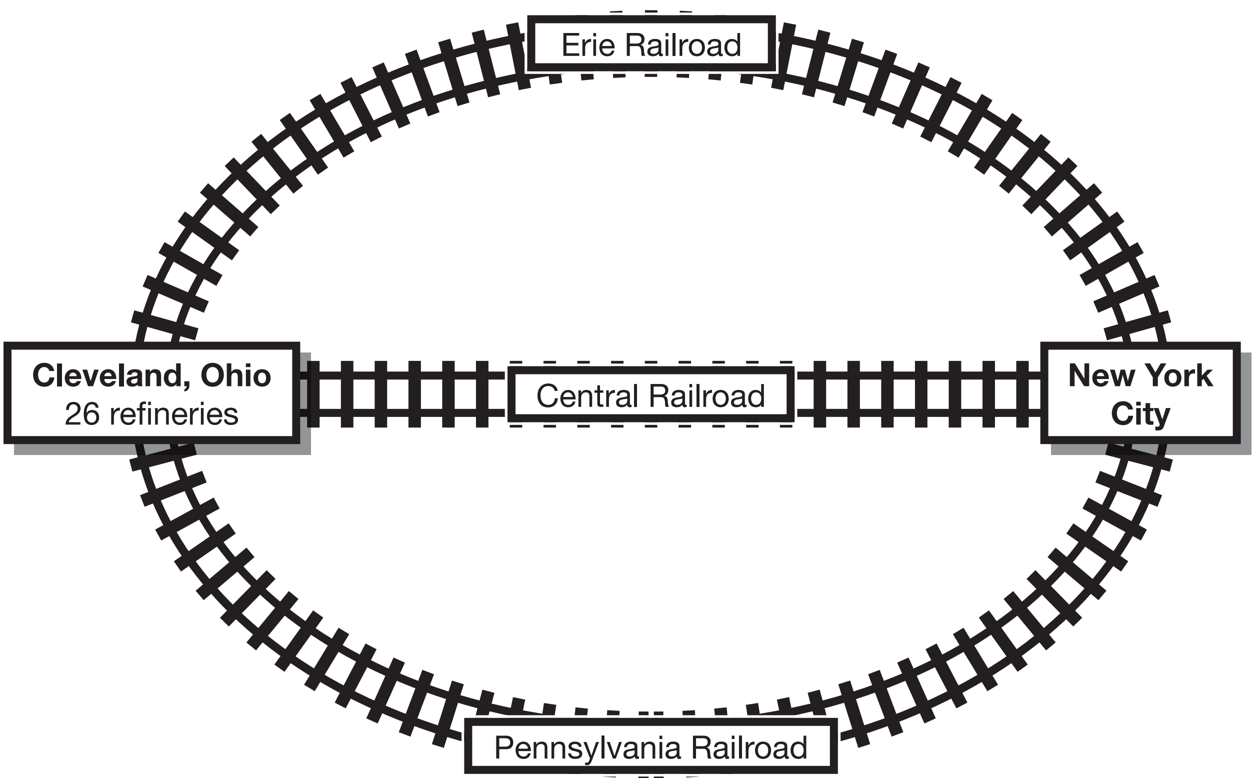
1. How would you describe the competition in the early days of the oil industry?

2. Describe the steps Rockefeller took to make sure his business succeeded.

For Further Consideration
Rockefeller's First Step in Monopolizing the Oil Industry

The South Improvement Company

In Part I of this chapter, you learned that Rockefeller had built a modern refinery in Cleveland, Ohio—maybe the best refinery in the country. You learned that there were 25 other refineries in town, but that Rockefeller refined 12 percent of Cleveland's oil and roughly 4 percent of the nation's. Two years later, Rockefeller's corporation was the only refinery in town. How did he achieve such amazing success? Were his methods just an example of good business practices, or were they grossly unfair, devious, and an example of something that should not be allowed? Read the following and make up your mind, and, if assigned, prepare yourself to take part in a debate on this issue.



Standard Oil in Cleveland, 1870

At first, Rockefeller and his partners concentrated on refining oil in Cleveland. Then, in conjunction with Tom Scott, the president of the Pennsylvania Railroad, he came up with a plan to combine the city's largest refineries under the control of one company—theirs. They formed a new corporation, the South Improvement Company, by combining 13 different refineries and issuing 2000 shares of stock. Along with his partners, Rockefeller bought 900 shares, giving Standard Oil a controlling interest in the Company. The South Improvement Company directors knew that there were three railroads running from Cleveland to New York City: the Erie, the Central, and the Pennsylvania. They also knew that these railroads were hurting themselves by competing with one another to carry oil to New York. Under Rockefeller's leadership, the SIC (South Improvement Company), made an intriguing agreement with the railroads. It guaranteed the railroads regular business, an end to the competition between them, and a supply of railroad cars and loading docks. In exchange, the railroads would give the SIC special low prices and secret information on the plans of the other refineries. The following provides the details:

1. **The official rate per barrel of oil shipped from Cleveland to New York City would be $2.56.**

2. **The Erie, Central, and Pennsylvania Railroads, however, would pay the SIC a rebate (refund) of $1.06 for every barrel of oil they shipped.**

3. **In addition, the three railroads would pay SIC a drawback (someone else's rebate) of $1.06 for every barrel of oil shipped by refiners not part of the SIC deal.**

4. **The three railroads would also supply SIC with detailed information on the customers, destinations, prices, and delivery dates of oil shipped by Rockefeller's competitors.**

5. **The SIC would divide all of its shipments among the three railroads and give them a regular amount of business each month.**

6. **The SIC promised to provide loading platforms for the oil, as well as insurance, railroad tank cars, and barrels as needed.**

7. **The terms of this deal (see box at right) would remain secret.**

There is no doubt that both the railroads and Rockefeller thought they had made a good deal.

> I, ______ , do solemnly promise upon my honor and faith as a gentleman that I will keep secret all transactions which I may have with the corporation known as the South Improvement Company; that should I fail to complete any bargains with the said company, all the preliminary conversations shall be kept strictly private; and finally that I will not disclose the price for which I dispose of any products or any other facts which may in any way bring to light the internal workings or organization of the company. All this I do freely promise.

Agreement Signed by SIC Associates

Rockefeller Uses the South Improvement Company Deal

With a copy of his deal with the railroads in hand, Rockefeller and his partners paid calls to the refineries that were not a part of the SIC. They told them that they could continue to compete with Standard Oil if they wished, but that Standard Oil had a special arrangement with the railroads that effectively shut them out. Rockefeller and his partners then offered to buy refineries for about 45 percent of what their owners thought they were worth. They said they would not pay more than the value of the company to Standard Oil, and that they would pay with Standard Oil stock or with cash. In some cases, Rockefeller sweetened the deal with an agreement to allow the seller to continue to manage his former company—but only on the condition he not tell anyone, not even his wife, that he had sold his company.

In less than a year, all of the independent refineries in the Cleveland area had either sold out to Rockefeller or gone out of business. Many believed they had no choice but to accept Rockefeller's terms. This is how Mr. Alexander, one of the owners, explained why he and his partner sold out to Rockefeller:

> There was pressure brought to bear on almost all citizens of Cleveland in the oil business. We were told that unless we sold out to the South Improvement Company we would be crushed out. My partner, Mr. Hewitt, said that's what Rockefeller's men said to him. We sold our company at a loss because we had no choice. They told us they had a contract with the railroad which they could use to crush us. When I heard of the deal they had, I decided to withdraw from the business rather than fight that monopoly with no chance of winning. They offered us only about 45 percent of the value we placed on our refinery. We figured it was worth about $150,000, but we sold it to Mr. Rockefeller in the name of Standard Oil for $65,000.

Rockefeller Justifies Taking Rebates

Rockefeller thought there was nothing wrong with what he did. In the following statement, he justifies getting rebates. Notice what he does not mention:

> Because the Standard Oil Company was located in Cleveland, Ohio, it could use any of three railroads. I took advantage of that situation and made the best possible deal for Standard. Other companies tried to do the same thing. Standard Oil was always able to offer the railroad many cost reducing savings. It offered to provide loading platforms, and freight in large carloads and trainloads. It provided regular business which allowed the railroads to use its own hauling capacities to its best advantage and not have to wait until the refinery was ready. Standard carried its own insurance and saved the railroads from paying for losses caused by theft or fire. For these many services the Standard Oil Company received some special favors. But even so, the railroads made much more money in their dealings with Standard Oil than by the smaller and irregular traffic from other companies that might have paid the higher rate.

Student Activities

A. Student Exercises

1. In 1870, how many refineries and railroads were there in Cleveland?

2. Describe what the SIC was and the deal it made with the railroads.

3. Describe the situation in the oil industry in Cleveland in 1872.

B. Debate

Do you think the methods that Rockefeller used to gain control of the oil business in Cleveland should have been allowed? Prepare to debate this question, elaborating on the ideas of the following individuals:

There was nothing wrong with what Rockefeller did. He was just a good businessman.	**There should have been a law to prevent businessmen like Rockefeller from forcing people to sell him their businesses.**
Rockefeller A. Nothing wrong with my deal with the railroads B. I offered a fair price	**Alexander (former refiner)** A. You made the railroad deal in order to drive refineries out of business B. You robbed me
Smith & Sumner A. Individuals are better judges of their affairs than governments B. Don't help the less fit at the expense of the more fit	**Lloyd** A. We must behave better than mere animals B. Competitors are needed to keep prices low

Chapter 4. Robber Baron or Industrial Statesman?
Teacher Page

Overview:

As suggested by its title, this chapter asks whether Rockefeller (and, by implication, other prominent industrialists) was either a "robber baron" or an "industrial statesman." After defining both terms, the chapter provides an excerpt from the testimony of an erstwhile competitor describing the devious means Rockefeller used to drive him out of business. Students read Rockefeller's own words as he disputes this account by defending the use of rebates and extolling his own virtues as a businessman. A quote from Alan Nevins's biography of Rockefeller portrays the entrepreneur as an innovator who used "the implements of his time" to create a "magnificent" industrial organization. Mathew Josephson, the author of *The Robber Barons*, argues that Rockefeller used secret deals with railroads and other predatory practices to make grotesque profits at the expense of consumers. The Graphic Organizer exercise asks students to place phrases which support either of the views expressed in this chapter under their proper headings. The "For Further Consideration" section provides a number of statistics showing Standard Oil's total profits, percentage of profits on investments, and price and profit per gallon over the period from 1883 to 1906. Students are asked to use these figures to support either the "robber baron" or "industrial statesman" arguments.

Objectives:

Students will:
understand the terms "industrial statesman" and "robber baron"
use their interpretation of the South Improvement Company deal and facts and opinions from testimony, as well as from historians, to form a tentative opinion on the industrial statesman question
use figures drawn from government statistics to support one side or the other

Strategies:

Before class: Assign the chapter either up to or including the "For Further Consideration" section and inform students they will be expected to write their answers to all the Student Activities questions covering the assigned section(s).

In class: Start by asking students to explain what is meant by the terms "robber baron" and "industrial statesman." Once you are convinced that students understand these terms, ask them what Josephson and Nevins would say about the South Improvement Company deal and how it was connected to Rockefeller monopolizing the oil refining business in Cleveland. Proceed by reviewing George Rice's testimony and have students explain how it supports Mathew Josephson's assessment of Rockefeller's business practices. Note how Rockefeller defended his use of rebates and characterized his organization. Ask students to show you how Nevins supports Rockefeller's assessment of his own actions. To make certain that all your students understand both Josephson's and Rockefeller's views, ask them to share their answers to the Graphic Organizer question. By this time, students should be prepared to take a personal stand on the industrial statesman argument. With about ten minutes left, ask students who completed the "For Further Consideration" exercise to share their conclusions on the issue based on their analysis of the statistics they scrutinized.

Chapter 4. Robber Baron or Industrial Statesman?
I-Chart

	The meaning of the terms "robber baron" and "industrial statesman"	How these terms could be applied to Rockefeller's career	What I think of Rockefeller as an industrialist
What I already know			
What I learned from Chapter 4, Part I			
What I learned from Chapter 4, Part II			
What I would still like to learn			

Chapter 4—Robber Baron or Industrial Statesman?

eliminate	comparison	forcibly
presiding	utterly	temporarily
magnificent	instrument	distribution

Chapter 4—Robber Baron or Industrial Statesman?

Using strength or power	The act of judging two or more people or things to find how they are similar and/or different	To get rid of something or somebody
For a short time	Completely	In charge
Dividing things like money or time among different people or groups	A tool, or something used to make music	Good, beautiful, or wonderful

Chapter 4
Robber Baron or Industrial Statesman?

Introduction

Many years ago, the term "robber baron" was applied to German lords who forcibly collected money from every ship passing by their castles on the Rhine River. The same term was later used to describe the captains of industry in America who were said to rob consumers by controlling the "rivers of trade." As one of the most powerful and wealthy businessmen whose kerosene was used in practically every American home, John D. Rockefeller often invited comparison to those German robber barons. However, many people would disagree with this unfavorable description of the oil tycoon. Rather than curse him as a pirate who drank deeply from the rivers of trade, admirers believed he was a great businessman who eliminated wasteful competition and sold an excellent product at a reasonable price—someone they would call an "industrial statesman."

Was he a robber baron or an industrial statesman? This chapter presents two views of John D. Rockefeller and the Standard Oil Company. The reader is asked to decide which label fits him best.

George Rice on Railroad Rates

For 20 years, George Rice attempted to remain in the refining business, despite what he claimed was a determined effort by Rockefeller to wipe him out. In 1899, Rice was called to testify before the United States Industrial Commission. Sections of that testimony—much of it shown to be accurate in independent investigations—are quoted below:

I…have been refining oil for some 20 years. My business had been shut down for three years now, due to the methods that the Standard Oil Trust used…Standard Oil Trust could cut customer's prices temporarily and sell to them below their costs. This they could easily do, and thus effectively wipe out all competition. Standard Oil's prices were generally so high that I could sell my goods at 2 to 3 cents a gallon below their prices and make a nice profit. But, I could not match their price cutting on my customers' goods…

I have been driven…from one railroad line to another, in a vain attempt to get fair railroad rates with the Standard Oil Trust, which I have been utterly unable to do. Consequently, I had to shut down with my business absolutely ruined and my refinery idle… But, do not just accept my word. Allow me to read to you from a Federal court's decision, Judge Baxter presiding

"It appears that the Standard Oil Company and George Rice were competitors in the business of refining oil in the neighborhood of Macksburg, Ohio, and each equally dependent on the same railroad. It further appears that Standard wished to 'crush' Rice and his business. Under the threat of building a pipeline to carry its oil, Standard was able to force the railroad to charge Rice 35 cents a barrel and Standard only 10 cents. In addition, the railroad had to pay Standard a drawback of 25 cents a barrel for every barrel shipped by Rice."

Rockefeller on Rockefeller

In the excerpts quoted below, Rockefeller gives an explanation for his success in the oil business.[1]

Q. To what advantage, or favors, or methods of management do you ascribe chiefly the success of the Standard Oil Company?

A. I ascribe the success of the Standard to its consistent policy to make the volume of its business large through the merits and cheapness of its products. It has spared no expense in [finding] and using the best and cheapest methods of manufacture. It has sought for the best superintendents and workmen and paid the best wages. It has not hesitated to sacrifice old machinery and old plants for new and better ones. It has placed its manufacturers at the points where they could supply markets at the least expense. It has not only sought markets for its principal products, but for all possible by-products, sparing no expense in introducing them to the public. It has not hesitated to invest millions of dollars in methods of cheapening the gathering and distributions of oils by pipelines, special cars, tank steamers, and tank wagons. … It has spared no expense in forcing its products into the markets of the world among people civilized and uncivilized…

1 Rockefeller could also be very forgetful on the witness stand. In one case in 1908, it took him a full minute to remember he was in the oil business.

Rockefeller as Industrial Statesman

The noted historian Alan Nevins made a thorough study of John D. Rockefeller's career. In his book, *John D. Rockefeller: The Heroic Age of American Enterprise,* Nevins excused what he considered to be occasional questionable practices by Rockefeller because he believed that Rockefeller had to "use the weapons and instruments of his time." Nevins concluded that Rockefeller's motives were to "impose a more rational and efficient pattern" on the oil industry. According to Nevins, Rockefeller was "an organizing genius" who "looms up as one of the most impressive figures of the century," and that those who objected to the methods he used were not engaged in "a struggle against" wrongdoing, but "a struggle against destiny."

> It is plain that the place Rockefeller holds in American history is that of a great innovator. His vision brought order to an industry bloated, lawless, and chaotic. Pursuing his vision, he devised a scheme of industrial organization which was magnificent.
>
> Rockefeller … understood the real nature of economic forces, and the real motives operative in American industry. He and the other leaders … in American business development [were] the guiding elite, in a modern sense, of our industrial society. Many of the forces and elements in that society were irrational and wasteful. Rockefeller wished to impose a more rational and efficient pattern, it is true that some of his methods were open to criticism; but then it must be remembered that he had to use the weapons and implements of his time.[2]

Rockefeller as Robber Baron

The title of Matthew Josephson's book, *The Robber Barons,* reflected the author's belief that Rockefeller and other successful monopolists of their time were dishonest men who cheated the public. Josephson found that Rockefeller's "margin of profit" amounted to "grotesques figures," and he argued that Rockefeller's control over industry was not the result of superior efficiency but a result of the secret deals he made with the railroads and a large number of other underhanded and illegal practices. He also believed that the so-called benefits to the consumer were but "accidental by-products" of an organization that was clearly "out for the dollar."

> The documents show that the independent oil dealer's clients were menaced in every way by the Standard Oil marketing agency; it threatened to open competing grocery stores, to sell oats, meat, sugar, coffee at lower prices. "If you do not buy our oil we will start a grocery store and sell goods at cost and put you out of business." By this means, opponents in the country at large were soon "mopped up;" small refiners and small wholesalers who

2 Allan Nevins, John D. Rockefeller, Volume II, quoted in Earl Latham, ed., *John D. Rockefeller: Robber Baron or Industrial Statesman*, DC. Heath, Lexington, Mass., 1949, pp. 78-82 (edited)

attempted to exploit a given district were routed at the appearance of the familiar red-and-green tank wagons, which were equal to charging drastically reduced rates for oil in one town, and twice as much in an adjacent town where the nuisance of competition no longer existed.

They found ways of effecting enormous economies and always their profits mounted to grotesque figures. Though raw materials declined greatly in value, and volume increased, the margin of profit was consistently controlled by the monopoly; for the service of gathering and transporting oil, the price was not lowered in twenty years, despite the superb technology possessed by the Standard Oil...[3]

A 19th-century characterization of the term "robber barons" focusing on the 'trusts' effect on workers

3 Mathew Josephson, *The Robber Barons* quoted in Earl Latham ed., *op. cit*. p. 39 (edited)

Student Activities

A. Student Exercises:

1. What is meant by the terms “robber baron” and “industrial statesman”?

2. Give as many examples as you can of the conclusions reached by Josephson being supported by Rice’s testimony.

3. What would Josephson say about the South Improvement Company deal? Elaborate.

4. What did John D. Rockefeller say in his testimony that would support Alan Nevins’s conclusions about his career? Elaborate.

5. What would Nevins say about the South Improvement Company deal? Elaborate.

For Further Consideration
Standard Oil: Investments, Profits, Production, and Prices

The following statistics may help you decide if Rockefeller was a robber baron or an industrial statesman. The U.S. government, while preparing its case against Rockefeller's giant oil corporation, gathered the following figures. While you read these statistics, note that most oil producers were satisfied with a profit margin of 3 cents per gallon and that prices during this period were going down.

Standard Oil's Profits—1883–1906						
Year	**$ Invested**	**$ Profits**	**Barrels**	**Profits on investment**	**Price per gallon**	**Profit per gallon**
1883	72,869,000	11,231,000	16,137,000	15.4%	7.4	5.6
1885	76,762,000	8,382,000	17,578,000	10.9%	8.3	6.3
1887	94,377,000	14,026,000	20,471,000	14.8%	7.1	5.4
1889	101,281,000	14,845,000	27,165,000	14.7%	7.5	5.4
1891	120,771,000	16,331,000	35,997,000	13.5%	7.3	5.3
1893	131,886,000	15,457,000	41,083,000	11.7%	6.1	4.8
1895	143,295,000	24,078,000	40,772,000	16.8%	5.2	3.2
1900	205,480,000	55,501,000	47,237,000	27.0%	8.5	5.2
1902	231,758,000	64,613,000	50,452,000	27.9%	7.4	4.4
1904	297,489,000	61,570,000	56,204,000	20.7%	8.3	4.4
1906	359,400,000	83,122,000	63,856,000	23.1%	?	?
Totals:	**359,400,000**	**790,000,000**				

Your assignment is to view these statistics as evidence in the argument whether Rockefeller was a robber baron or an industrial statesman. You should consider

a. His profit per gallon: did it change significantly?
b. Total profits: Did he take too much from the consumer or did he earn his money through hard work and investments?
c. Prices: do you think they were too high?
d. Total investment and number of barrels sold: what do these figures tell you?

Using figures from the chart, write a strong paragraph showing that Rockefeller was a "robber baron" or an "industrial statesman." Come to class prepared to present your opinion, to listen to the opinions of others, and to either defend your own or change your mind.

Chapter 5. The Sherman Antitrust Act and Standard Oil on Trial Teacher Page

Overview:

One reason for focusing this chapter on the Sherman Antitrust Act is to prepare students for reenacting the trial of Standard Oil under this important law. However, regulation of businesses could not be discussed without first mentioning the Interstate Commerce Act and the specific practices it prohibited. Sections from the Sherman Act are quoted and explained as banning attempts to monopolize. The chapter points out the U.S. government's failures to win the few cases it prosecuted under the Sherman law. The Graphic Organizer asks students to place phrases favoring and opposing prosecuting industrial combinations for violating the Sherman Act under their proper headings. The "For Further Consideration" section provides detailed instructions to help students reenact the trial of Standard Oil, and an epilogue explains the Supreme Court's verdict and shows that it allowed Standard Oil and Rockefeller to maintain their dominant position in the oil industry. Hopefully, teachers will take advantage of this opportunity to encourage students to use what they have learned in this unit to re-create one of the most important cases to come before the Supreme Court.

Objectives:

Students will:
- understand the need for and the meaning of the Sherman Antitrust Act
- participate in a mock trial of Standard Oil
- form and support an opinion on whether Standard Oil violated the Sherman Antitrust Act

Strategies:

Before class: Decide whether you want your students to reenact the trial of Standard Oil for violating the Sherman Act and gear your assignment accordingly. If you plan to start the trial the next day, assign students the roles they will be expected to play. Otherwise assign all students to read Part I of this chapter and complete written answers to the questions at the end of the section. Assign the "For Further Consideration" section to your advanced students.

In class: Invite students to share their answers to the Student Exercise questions. When you are certain that they understand the correct answers to these questions, review their answers to the Graphic Organizer. In the remaining time, either start the trial or assign students to the roles listed in the trial directions. Give help as needed to students who may have trouble understanding their roles. You might have lawyers get phone numbers of their witnesses so they can help them write out their testimony.

The following suggestions may help make the trial more successful:

1. Require all lawyers, witnesses and Supreme Court justices to write out their statements, read them at the appropriate time, and render what they just read extemporaneously.
2. Allow lawyers to spend 3–4 minutes on their opening statements and an equal amount of time on their closing statements.
3. Allow 3 minutes for each witness to give his or her testimony, and allow 3 minutes for cross-examination. If lawyers run out of questions, allow members of the court to cross-examine the witnesses.
4. Let each justice read, explain, and then defend his or her verdict before recording it on the chalkboard.

After the classroom trial and the verdict, discuss the results of the real trial that are revealed in the section in the student reading marked “Epilogue.”

Chapter 5. The Sherman Antitrust Act and the Trial of Standard Oil
I-Chart

	Was there a need for federal laws to regulate big business?	What did the Sherman Antitrust prohibit?	What was the verdict in the Standard Oil case and why do you agree or disagree with it?
What I already know			
What I learned from Chapter 5, Part I			
What I learned from Chapter 5, Part II			
What I would still like to learn			

Chapter 5—The Sherman Antitrust Act and the Trial of Standard Oil

discrimination	exploit	numerous
interpretation	misdemeanor	conspiracy
injuriously	distressed	consolidate

Chapter 5—The Sherman Antitrust Act and the Trial of Standard Oil

Many	To take unfair advantage of	To treat someone unfairly because of prejudice against that person
An agreement between two or more persons to do something illegal	A minor crime	Someone's view on the importance or the meaning of something
To bring things together to form a single unit	To be extremely unhappy, upset, or worried	Causing harm or damage

Chapter 5—The Sherman Antitrust Act and the Trial of Standard Oil

distinguished

reluctant

combination

defiance

Chapter 5—The Sherman Antitrust Act and the Trial of Standard Oil

Not being willing to do something	Highly regarded because of knowledge, accomplishments, etc.	
Individual parts put together to form a whole		
The act of refusing to obey or go along with something		

Chapter 5

The Sherman Antitrust Act and Standard Oil on Trial

Introduction

By the mid 1880s, Americans had become extremely aware that Standard Oil was not the only monopoly. What had happened in the oil industry had also taken place in the meatpacking business, copper, steel, whiskey, farm and shoe manufacturing machinery, sugar refining, sewing machines, and other fields far too numerous to list here. The practice of unrestrained competition was leading to the elimination of competitors. In many instances, the means used to destroy business rivals resembled the law of the jungle more than the practice of civilized economic competition. It seemed to many people that only those firms willing to exploit some special advantages with the railroads or use some other strong-armed tactic were surviving while honest businessmen were quickly driven to the wall and forced into bankruptcy. Gradually, the American people came to believe that the government needed to put an end to the unrestrained competition that was allowing crooked businessmen to form monopolies. As a result, Congress passed the Interstate Commerce Act in 1887. The intent of this law was to prohibit particular unfair business practices among the nation's railroads. Included in the specific methods disallowed by the Act were:

Cartoon expressing popular feeling in 1890s that trusts (the pirates in the picture) were about ready to throw democracy (Uncle Sam) overboard. Specifically, the pirates represent the heads of the oil, sewing machine, meatpacking, sugar, and steel trusts.

- receiving or providing secret rebates
- rate discrimination of any kind between shippers
- charging more for transporting goods for a short distance where there were no competing railroads and less for the long haul when there was competition
- charging an unreasonable amount for services

Three years later, Congress passed the Sherman Antitrust Act. It was designed to prohibit unfair competition among large firms. Rather than define specific illegal practices (as the Commerce Act had), the Sherman Act contained much more ambiguous language that made it difficult to decide exactly what was meant by the law:

1. Every contract, combination in the form of a trust or otherwise, or conspiracy in restraint of trade or commerce, among the several States, or with foreign nations is hereby declared to be illegal.

2. Every person who shall monopolize, or attempt to monopolize any of the trade or commerce among the several States, or with foreign nations, shall be deemed guilty of a misdemeanor.

On several points, the Sherman Act was not very specific. It left the courts to decide what a "conspiracy in restraint of trade" was, whether manufacturing should be considered part of trade, and what actions would actually constitute an "attempt to monopolize." This chapter examines some of the interpretations placed on this important law and asks the reader whether John D. Rockefeller violated its provisions when he consolidated the oil industry.

The Sugar Refinery Case

Whether the Sherman Act would become an effective tool to curb the growth of giant business enterprises was not clear at the time. Certainly success would in part be determined by how vigorously the government prosecuted cases under the Act and how the Supreme Court would interpret its meaning.

These questions were soon answered in the famous 1894 case *U.S.* v. *E.C. Knight*. The Supreme Court was asked to decide whether the American Sugar Company's purchase of four refineries in Philadelphia that gave the company control over 98 percent of the nation's sugar-refining capacity represented a conspiracy in restraint of trade. The corporation defended itself in court by arguing that control over manufacture did not constitute a restraint of trade since there was no necessary connection between manufacturing and commerce. With only one dissenting opinion, the Court ruled:

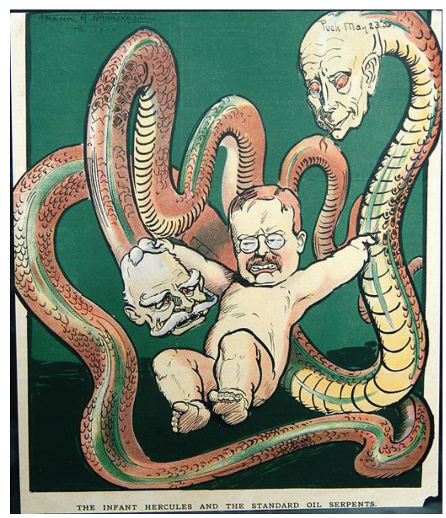
The fact that an article is manufactured for export to another state does not of itself make it an article of interstate commerce.

In fashioning the *Knight* decision, the Supreme Court in effect vetoed the Sherman Act. The Attorney General at that time was not upset that the outcome of this case deprived the national government of the power to "deal with a matter that directly and injuriously affects the entire commerce of the country." Commenting on the government's loss in the *Knight* case, Attorney General Richard Olney admitted that he had never believed in the Sherman Act:

> You will observe that the government has been defeated by the Supreme Court on the trust question. I always supposed it would be and have taken the responsibility of not prosecuting under a law which I believed to be no good.

This combination of a reluctant administration and a pro-business Supreme Court produced only 18 cases against business under the administration of three presidents: Harrison, Cleveland, and McKinley. The government lost seven of the first eight. Meanwhile, businessmen took advantage of the failure of prosecution under this law and formed combinations at an increasingly rapid rate. Between 1880 and 1902, some 5000 small businesses were combined into 300 large combinations. Two-thirds of these combinations were formed between 1898 and 1902—well after the Sherman Act was passed.

In his dissent on the *Knight* case, Justice John Marshall Harlan asked, "what power is competent to protect the people of the United States against [the monopolies] except a national one." After Theodore Roosevelt succeeded William McKinley to the White House in 1901, prosecution of big businesses under the Sherman Act was pursued in earnest. Altogether, Theodore Roosevelt directed 44 different cases against monopolies. The most famous was the suit instituted against Standard Oil Company in 1906.



Cartoon showing Roosevelt as an "infant Hercules" fighting the "Standard Oil serpents"

United States v. *Standard Oil*

By the time, Standard Oil was brought to court, the *Knight* decision had been reversed—manufacturing was no longer considered an "accidental, secondary, remote or merely probable" relationship to commerce—and the Supreme Court had once again asserted its right to regulate trade in the U.S.

Under the direction of its chief prosecutor, Frank B. Kellogg, the government's case soon took shape. The government claimed that the Standard Oil Company had obtained its monopoly "not by superior efficiency, but by unfair and immoral acts—rebate taking, local price-cutting" and so forth, in defiance of local and federal laws. What savings the company could claim in its efficient operations, the government argued, were not passed on to the consumer, but taken by the few men who controlled the oil industry to make themselves millionaires many times over at the public's expense.

Standard's defense was handled by a team of distinguished lawyers under the supervision of John C. Milburn. They emphasized the extraordinary efficiency of the company, its tremendous constructive achievement in producing an excellent product for a very reasonable price, and meeting the need for kerosene, gasoline, and many different kinds of lubricants. The defense stressed the many innovations in refining and in transporting oil that were developed by Standard as well as many useful by-products. Its alleged unfair competitive practices were necessary to insure its survival in the business climate of that time. They should be dismissed as "mere incidents in the conduct of a great business" and due to the "over zealousness of some employees" rather than the intent of the corporation's directors.

The Issues

The suit against Standard Oil was one of the most dramatic tests of strength in the courts of that era because it pitted the U.S. government against the nation's largest corporation and its wealthiest citizen. It was both a test of strength and of philosophies—the strength of private enterprise as opposed to public regulation, and the philosophies of *laissez-faire* and survival of the fittest, as opposed to the belief in control by the federal government.

Student Activities

A. Student Exercises

1. How extensive was the problem of monopolies in the United States in the late 1800s and early 1900s?

2. What were some of the specific practices prohibited by the Interstate Commerce Act?

3. In what ways was the Sherman Act different from the Interstate Commerce Act?

4. Why was it difficult for the federal government to succeed in prosecuting railroads and big businesses during the period from the 1880s to the early 1900s?

B. Graphic Organizer

There was an ongoing argument in the last years of the 19th century about whether large corporations should be punished for the methods they used to become the nation's single suppliers of oil, farm machinery, sugar, cigarettes, iron and steel, etc. In the chart below, place each of the following arguments under its proper heading:

Reasons to attempt to prosecute	Reasons for not attempting to prosecute

- It is very hard to decide exactly what the law means to prohibit
- George Rice's testimony (if true)
- Monopolies can decide what prices consumers must pay
- Big businesses can afford to hire the best lawyers
- Members of the Supreme Court did not believe there was a direct connection between manufacturing goods and transporting them
- Many people believed in *laissez-faire*
- Rockefeller used secret rebates and drawbacks to drive his competitors out of business
- Monopolies can stop small businesses from growing
- You can't have competition without competitors
- Big businesses were the fittest—that's why they were able to get so big

For Further Consideration: Standard Oil on Trial

The U.S. government filed suit against Standard Oil Corporation in 1906. It took five years for the courts to give their final ruling in what was one of the most important antitrust cases in history. The purpose of this segment is to provide you with instructions for staging a mock trial of John D. Rockefeller for violating the Sherman Antitrust Act. In this trial, you will have the opportunity to play the roles of John D. Rockefeller himself, a business partner, someone he drove out of business, a famous historian, a justice on the Supreme Court, or a lawyer for either the defense or for the prosecution.

The major question to decide in the trial is whether the Standard Oil Corporation achieved its control over the oil industry by attempting to restrain trade. In other words, did it attempt to drive other companies out of business and monopolize the oil industry, or was its monopoly obtained more or less by accident?

Prosecution (Frank Kellogg, attorney)

Tried to Monopolize

Rockefeller obtained his monopoly by getting special rates from the railroads, and using threats, bribes, and other unfair tactics designed to drive his opponents out of business. Rockefeller’s dealings with Alexander and Rice help prove this point. The famous historian Matthew Josephson supports their testimony.

Rockefeller might argue that his profits were a result of his superior efficiency, but Josephson will show his savings were never passed on to the consumer. Instead, Rockefeller made unreasonably high profits at the expense of those who bought his oil and kerosene.

Witnesses

John Alexander

Formerly a refiner in Cleveland, he will claim that he was forced to sell his company

Defense (John C. Milburn, attorney)

Monopoly by Accident

Rockefeller never did anything that others did not try to do. His monopoly was the result of his superior efficiency and his success resulted from doing what others did. He never tried to drive others out of business. Testimony from Flagler and Rockefeller himself will support this argument. The famous historian Allan Nevins also supports it.

Nevins will also show that Rockefeller made his money only because he was a very efficient producer. His profits were reasonable because he worked hard and was a good businessman. His prices stayed the same for 20 years.

Witnesses

Henry Flagler

Rockefeller’s partner will testify that there was nothing illegal about the South for far less than it was worth because of unfair deals Rockefeller had made with the railroads to get rebates, drawbacks and secret information. It was impossible for him to compete with the South Improvement Co. not because its oil was cheaper, but because it received rebates and other special advantages from the railroads.

George Rice

Once an independent refiner, he will claim that Rockefeller was able to get railroads to charge him 35 cents a barrel while Rockefeller was only paying 10 cents; that Rockefeller bribed and threatened grocers to buy from Standard Oil, and did everything in his power to drive him out of business. Rice will also say he could have competed with Rockefeller except for the railroad rates Standard Oil received.

Matthew Josephson, historian

Author of a well-known book on Rockefeller, Josephson knows the story of South Improvement, and of Rice. He believes Rockefeller was a robber baron, and can testify that his actions in these cases were typical of the way he did business—i.e., using railroad rates and price-cutting to gain a monopoly. He can also testify that Rockefeller made huge profits and did not pass any money saved by efficiencies on to consumers. He can say that the issue is not whether Rockefeller gave money to charity, but how he obtained his monopoly.

Improvement Company deal in Cleveland. Other companies also received rebates, the railroads agreed to the deal, and Rockefeller provided them with loading docks and regular trade. There is nothing wrong with getting rebates and drawbacks. Others have done the same.

John D. Rockefeller

He will claim he was an efficient producer who paid attention to every aspect of the business to save money and that he never did anything but use the tactics of his time, (i.e., he didn't do anything that others did not do). He will claim that Rice was a bitter, old, and unsuccessful businessman who could not be trusted, and that if there were any bribes it was due to the overzealous actions of his (Rockefeller's) employees.

Allan Nevins, historian

Author of a well-known book on Rockefeller that praised him as an industrial statesman, Nevins can testify that the oil business was very dirty in the early days. He can say that Rockefeller gave the railroads good value in the South Improvement case and that Rice could not be trusted to tell the whole truth. He can say that profits were due to Rockefeller's efficiencies and investments, and that he gave much of his money to charity. He can use a chart to show that Rockefeller did not raise his prices for 20 years and that his profits were reasonable.

General Rules and Procedures

Lawyers

One lawyer should concentrate on asking questions of friendly witnesses, the other lawyer should do the cross-examination. One lawyer should make the opening and the other the closing statement.

1. Have opening statements (200–300 words) prepared in writing before class. They should include:
    - why the issue of Standard's guilt or innocence is so important
    - what you are going to prove in general, and
    - what each witness will say
2. Have questions prepared for presenting witnesses and for cross-examination. However, first allow witnesses to present their testimony and then ask questions that emphasize the parts of their testimony that are most likely to sway the jury.
3. Closing statements (300–500 words) should cover:
    - why the issue of Standard's guilt or innocence is so important
    - what was proved in trial with review of what individual witnesses said

Witnesses

1. Bring written statements containing their testimony to be read in class.
2. Be prepared to answer questions lawyers may ask to call attention to points they wish to emphasize.
3. Be sufficiently informed about the case so as to be prepared for the unexpected during cross-examination.

Jury

1. Students who are not assigned to be lawyers or witnesses will act as members of the Supreme Court.
2. As members of the Court, jurors are allowed to ask questions of witnesses and lawyers during the trial.
3. Jurors will decide whether Rockefeller was guilty or innocent and why. Verdict should include specific examples.
4. Each juror's decision must be made in writing, be at least 100 words long, and be defended in class. The verdict may also deal with the questions of whether Standard Oil should be split up, and if Rockefeller should go to jail.

Epilogue

On May 15, 1911, Chief Justice Edward White announced the Supreme Court's decision in the case of *United States* v. *Standard Oil*. By an 8–1 vote, the Court ruled that:

> [T]he combination and conspiracy in restraint of trade and its continued execution which have been found to exist, constitute illegal means by which the conspiring defendants combined, and still combine and conspire to monopolize a part of interstate and international commerce.

In addition to creating a monopoly, Standard Oil had fixed prices, destroyed competition, and held back production. Its punishment was to be split into 34 corporations. Each stockholder in Standard Oil was awarded shares in the 34 corporations in proportion to the number of stocks he or she owned in Standard. Rockefeller, who had owned one-fourth of the shares in Standard, now owned 25 percent of the shares of the 33 companies that once were subsidiaries of Standard. Together with his closest partners, Rockefeller now owned the majority of the shares in all of these corporations. The value of his shares within two years after the Supreme Court's decision had increased from $300 million to $900 million and made him the richest man in the world. Competition between the 33 corporations that broke off from Standard Oil was minimal. The old boys who had worked with Rockefeller met regularly in his office to "share ideas." For years, all of the subsidiaries stayed within 11 districts and did not compete with one another. As years went by, the discovery of new oil fields and the new uses for oil (gasoline, aviation gas, petroleum products) allowed new companies to rise. These included Sunoco, Texaco, Gulf, Getty, and many others. Yet 75 years after the break-up, the good ship Rockefeller and its descendants were among the largest vessels floating on a sea of oil.

Descendants of Standard Oil in 1986			
Original Name	**Now called**	**Value (in 1986)**	**Size* (in 1986)**
Eastern Seaboard Standard Oil (ESSO)	Exxon (later merged with Mobil)	$70 billion	# 2 U.S.
Standard Oil Company of New York (Socony-Mobil)	Mobil (later merged with Exxon)	$45 billion	# 5 U.S.
Standard Oil company of California (Calso)	Chevron	$24 billion	# 10 U.S.
Standard Oil of Indiana	Amoco	$18 billion	# 13 U.S.
Standard Oil Company of Ohio (Sohio)	Became part of British Petroleum	?	?
Atlantic Refinery	Arco	?	?

Chapter 6. How the Other Half Worked and Lived
Teacher Page

Overview:

This chapter starts with a chart showing increases in real per-capita income between 1800 and 2000 in 50-year increments. It proceeds by chronicling the living and working conditions of those Americans who did not benefit from the Industrial Revolution. It also provides excerpts from Sinclair Lewis's *The Jungle* and Jacob Riis's *How the Other Half Lives*, as well as a description of child labor in the coal mines by a lesser-known writer. The final excerpt, from a book by Charles Beard, offers a summary of conspicuous consumption by some of the very rich. The Graphic Organizer asks students to rationalize the living and working conditions of the very poor from the perspective of someone who believes in a combination of *laissez-faire* and Social Darwinism, and then to compare that point of view to their own reactions. The "For Further Consideration" section raises the issue of mandating livable wages and decent housing.

Objectives:

Students will:
- develop empathy for the way many 19th-century Americans were compelled to live and work
- view these conditions from the perspective of a person who believed in the 19th-century rationale for the existence of poverty
- examine the issue of social responsibility for the conditions in which the poor live and work

Strategies:

Before class: Assign the chapter either up to or including the "For Further Consideration" section and inform students they will be expected to write their answers to all the Student Activities questions covering the assigned section(s).

In class: Ask students whether they believe the people described in this chapter were to blame for the squalid conditions of their lives. Next, ask whether they believe that only further industrialization would have ameliorated these conditions or if the U.S. government should have mandated such policies as paying a minimum wage, requiring decent working conditions, and providing suitable housing. Allow the conversation to continue as long as it remains productive, but leave time to review all homework questions, including the Graphic Organizer and the "For Further Consideration" section.

Chapter 6. How the Other Half Worked and Lived
I-Chart

	19th-century working conditions (with examples)	19th-century living conditions (with examples)	Why the poor were poor
What I already know			
What I learned from Chapter 6, Part I			
What I learned from Chapter 6, Part II			
What I would still like to learn			

Chapter 6—How the Other Half Worked and Lived

premature	saturate	breaker
tenement	niggardly	imprisonment
artificial	sensational	incessant

Chapter 6—How the Other Half Worked and Lived

A device often used in coal mines to break up hard objects	To soak up with so much liquid that no more can be added	Not yet ready or developed
Referring to being locked up, like being in jail	Done in a stingy, mean, or miserly way	Large, usually overcrowded multi-family housing without basic comforts such as indoor plumbing
Unending	Amazing, exceptionally good, or shocking	Fake; often an imitation or not real

Chapter 6—How the Other Half Worked and Lived

rheumatism

tendered

Croesus

Chapter 6—How the Other Half Worked and Lived

A condition of the joints or muscles that causes pain		
Offered		
Ancient king known for his wealth		

Chapter 6
How the Other Half Worked and Lived

Introduction

During America's industrial era, businessmen such as John D. Rockefeller made millions with their oil refineries, and the country as a whole increased its overall production (see chart). However, good times did not always trickle down to those who actually did the work. This chapter tells the story of workers in two different industries and invites you to compare the working conditions experienced by the men, women, and children who actually produced the goods that made America rich. In addition, you will learn something about the lives of the richest and the poorest Americans.

Year	Real GDP in Billion Year 2000 $	Inflation Year 2000 = 100%	Per Capita Income in Year 2000 $
1800	$ 6	7%	1148
1850	42	6%	1802
1900	356	5%	4676
1950	1777	16%	11672
2000	9817	100%	34899
2004	10756	109%	36627

Real Gross Domestic Product, Inflation, and Per Capita Income since 1800

Twelve-year olds who worked in a coal mine

Work in the Coal Mines in Pennsylvania

One of the hardest and most dangerous jobs in the U.S. was mining coal. Often forced to work in the mines as children, miners usually spent the rest of their working lives in dangerous, dark, and damp holes far below the earth's surface. The following was written by a minister who had been a coal miner.

> "I'm twelve years old, goin' on thirteen," said the boy to the boss of the breaker. He didn't look more than ten…but the law said he must be twelve to get a job. He was one…of the 16,000 youngsters of the mines, who…start in the breaker before many boys have passed their primary schooling...He gets from fifty to seventy cents for ten hours' work. He rises at 5:30 o'clock in the morning, puts on his working clothes, always soaked with dust, eats his breakfast, and by seven o'clock he has climbed the dark and dusty stairway to the screen room where he works. He sits on a hard bench built across a long chute through which passes a steady stream of broken coal. From the coal he must pick the pieces of slate or rock.

Sitting on his uncomfortable seat, bending constantly over the passing stream of coal, his hands soon become cut and scarred by the sharp pieces of slate and coal, while his finger nails are soon worn to the quick from contact with the iron chute. The air he breathes is saturated with the coal dust, and as a rule the breaker is fiercely hot in summer and intensely cold in winter.

The miner rises at five A.M.; he enters the mine shortly after six. In some cases he [has to] walk a mile or more underground to reach his place of work. He spends from eight to ten hours in the mine…[The] miner's daily pay for the past twenty years will not average over $1.60 a day, and that of the laborer not over $1.35.

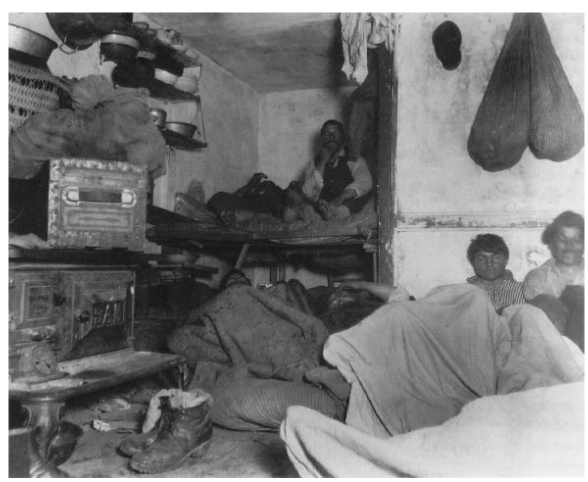
His dangers are many. He may be crushed to death at any time by the falling roof, burned to death by the exploding of gas, or blown to pieces by a premature blast…In no part of the country will you find so many crippled boys and broken down men. During the last thirty years over 10,000 men and boys have been killed and 25,000 have been injured in this industry. Not many old men are found in the mines. The average age of those killed is 32.13.

It is an endless routine of dull plodding world from nine years until death—a sort of voluntary life imprisonment. Few escape. Once they begin, they continue to live out their commonplace, low leveled existence, ignoring their daily danger, knowing nothing better.

Jacob Riis Goes Slumming

Jacob Riis, an immigrant from Denmark, was also a social reformer. A police reporter and photographer, he shocked the wealthy and comfortable in New York City with his pictures and hard-hitting descriptions of how the other half lived in the city's alleys and tenement houses.

Here where the hall turns and dives into utter darkness is a step, and another, another. A flight of stairs. You can feel your way, if you cannot see it. Close? Yes! What would you have? All the fresh air that ever enters these stairs comes from the hall-door that is forever slamming, and from the windows of dark bedrooms that in turn receive from the stairs their sole supply of the elements God meant to be free, but man deals out with such niggardly hand. That was a woman filling her pail by the hydrant you just bumped against. The sinks are in the hallway, that all the tenants may have access—and all be poisoned alike by their summer stenches.



A Jacob Riis photograph of immigrants in a crowded tenement apartment

Hear the pump squeak! It is the lullaby of tenement-house babes. In summer, when a thousand thirsty throats pant for a cooling drink in this block, it is worked in vain…Here is a door. Listen! That short hacking cough, that tiny, helpless wail—what do they mean? They mean that the soiled bow of white you saw on the door downstairs will have another story to tell—Oh! a sadly familiar story—before the day is at an end. The child is dying with measles. With half a chance it might have lived; but it had none. That dark bedroom killed it.

"It was took all of a suddint," says the mother, smoothing the throbbing little body with trembling hands. There is no unkindness in the rough voice of the man in the jumper, who sits by the window grimly smoking a clay pipe, with the little life ebbing out in his sight, bitter as his words sound: "Hush, Mary! If we cannot keep the baby, need we complain—such as we?"…

Step carefully over this baby—it is a baby, spite of its rags and dirt—under these iron bridges called fire-escapes, but loaded down, despite the incessant watchfulness of the firemen, with broken household goods, with wash-tubs and barrels, over which no man could climb from a fire. This gap between dingy brick-walls is the yard…That baby's parents live in the rear tenement here. She is at least as clean as the steps we are now climbing. There are plenty of houses with half a hundred such in. The tenement is much like the one in front we just left, only fouler, closer, darker—we will not say more cheerless. The word is a mockery. A hundred thousand people lived in [r]ear tenements in New York last year.

Working in the Meatpacking Plants in Illinois

The horrors of working in a meatpacking plant were revealed to a shocked nation in 1906 by Upton Sinclair's sensational novel, *The Jungle*. A Congressional committee investigating the meatpacking plants around Chicago reached the conclusion that Sinclair did not exaggerate: conditions were as revolting as described in his book:

There were the men in the pickle rooms; scarce a one of these that had not some spot of horror on his person. Let a man so much as scrape his finger pushing a truck in the pickle rooms, and he might have a sore that would put him out of the world; all the joints in his fingers might be eaten by the acid, one by one.

Of the butchers and floorsmen, the beef-boners and trimmers, and all those who used knives, you could scarcely find a person who had the use of his thumb; time and time again the base of it had been slashed, till it was a mere lump of flesh against which the man pressed the knife to hold it. them. They would have no nails,—

they had worn them off pulling hides; their knuckles were swollen so that their fingers spread out like a fan. There were men who worked in the cooking rooms, in the midst of steam and sickening odors, by artificial light; in these rooms the germs of tuberculosis might live for two years, but the supply was renewed every hour.

There were the beef-luggers, who carried two-hundred-pound quarters into the refrigerator-cars; a fearful kind of work, that began at four o'clock in the morning, and that wore out the most powerful men in a few years.

There were those who worked in the chilling rooms, and whose special disease was rheumatism; the time limit that a man could work in the chilling rooms was said to be five years. There were the wool-pluckers, whose hands went to pieces even sooner than the hands of the pickle men; for the pelts of the sheep had to be painted with acid to loosen the wool, and then the pluckers had to pull out this wool with their bare hands, till the acid had eaten their fingers off….

Worst of any, however…[was] in the cooking rooms…the other men, who worked in tank rooms full of steam, and in some of which there were open vats near the level of the floor, their peculiar trouble was that they fell into the vats; and when they were fished out, there was never enough of them left to be worth exhibiting,—sometimes they would be overlooked for days, till all but the bones of them had gone out to the world as Durham's Pure Leaf Lard!

Charles A. Beard: A Dinner Eaten on Horseback

A famous historian, Charles A. Beard collected anecdotes about the most outrageous spending of the super-rich during the same period that Jacob Riis was writing about life in New York City slums:[1]

At a dinner eaten on horseback, the favorite steed was fed flours and champagne; to a small black and tan dog wearing a diamond collar worth $15,000 a lavish banquet was tendered; at one function the cigarettes were wrapped in hundred-dollar bills; at another, fine black pearls were given to the diners in their oysters; in a third an elaborate feast was served to boon companions in a mine from which came the fortune of the host…

Diamonds were set in teeth; a private carriage and personal valet were provided for a pet monkey…a necklace costing $600,000 was purchased for a daughter of Croesus…An entire theatrical company was taken from New York to Chicago to entertain the friend of a magnate and a complete orchestra engaged to serenade a new-born child.[2]

1 Three of the richest families during this period, the Rockefellers, Carnegies nor the Morgans, , did not indulge in this irresponsible spending.

2 Charles A Beard, *Rise of American Civilization*, The MacMillan Book Company, New York, 1930, p. 392.

Student Activities

A. Student Exercises

1. How much did average per person real income increase in the years 1850–1900? Compare this with increases in real income during other periods in American history.

2. Compare working conditions in the coal mines to working conditions in the meatpacking plants. Which do you believe was more dangerous? Why?

3. Compare and contrast the way people lived at the top and on the bottom of the income scale. How do you think wealthy people at the time might have felt when they heard one of Riis's lectures about how the "other half" lived?

B. Graphic Organizer: Reactions to Working and Living Conditions

People come to different conclusions based on their own beliefs and life experiences. Walk in the shoes of someone who believed in *laissez-faire*, Social Darwinism, and/or trickle-down theory. Write in the proper space on the chart what you think their comments might have been concerning the conditions you just read about. Then write down your own feelings about the way some people in the 19th century lived and worked.

Condition	**Response from a believer in *laissez-faire*, trickle-down, or Social Darwinism**	**Your own response, based on your beliefs and/or life experiences**
Working conditions in meat plants		
Increase in average per person income, 1850–1900		
Child labor in the coal mines		
Living in New York City's slums		
Lifestyle of the very wealthy		

For Further Consideration

Should the owners of the nation's coal mines and meatpacking plants have been legally obligated to provide better working conditions and a living wage for their employees? Answer this question by either:

- Taking the position of the employer who provided the job and believed in *laissez-faire* and survival of the fittest,

  Or

- Defending the workers who suffered at the job they needed to feed their families, and pointing out what was wrong with the ideas of *laissez-faire* and survival of the fittest.

Write a strong paragraph on the position you have taken and come to class prepared to present your views, listen to those who disagree, and either defend or change your opinion.

Chapter 7. Eugene Debs and the Pullman Strike
Teacher Page

Overview:

This chapter provides students with enough information for them to debate the issues raised by the Pullman strike. Pullman is described as the entrepreneur who invented the sleeping car that bears his name, built a successful business, and provided what he styled as an idyllic town for his workers. The text also shows that, during the Depression of 1893–94, Pullman cut wages while laying off workers and increasing dividends paid to his stockholders. The narrative continues by explaining that these actions led Eugene Debs to order his American Railroad Union members to refuse to service trains that included Pullman cars. Students are told that, as the conflict escalated, President Cleveland's attorney general obtained an injunction based on the Sherman Antitrust Act ordering Debs to call off the strike. Students will then learn that President Cleveland's decision to send troops to Chicago to quell violence had the opposite effect and that Debs was arrested for violating the injunction. The Graphic Organizer asks students to place facts supporting either side in their proper place on a chart. Students are instructed to decide whether Pullman and the Management Association or Debs and the workers were responsible for the turmoil created by the strike. The "For Further Consideration" section has students assume the roles of individuals involved in this strike in order to debate the issues raised by this confrontation between labor and management.

Objectives:

Students will:
- learn the complicated story of the Pullman strike
- understand that the U.S. government broke the strike by arresting Debs for failure to abide by a court order based on the Sherman Antitrust Act
- decide whether labor or management was primarily responsible for the Pullman strike and the resulting turmoil

Strategies:

Before class: Assign the chapter either up to or including the "For Further Consideration" section and inform students they will be expected to write their answers to all the Student Activities questions covering the assigned section(s). You may want to assign advanced students to prepare to play parts as historic participants in the Pullman controversy.

In class: Ask students to share their answers to the Student Exercise questions and make sure they all understand the answers. Proceed by asking students to justify their decisions by placing the facts in their proper places on the graphic organizer. Both of these exercises should lead to discussions of the issues raised by the strike. Questions you may wish to focus on include (a) Was Pullman obligated to accept binding arbitration of the issues raised by firing workers who complained about his actions? (b) Were either Debs or the Railroad Managers Association wrong in acting on behalf of the striking workers or Pullman managers? (c) Was Debs obligated to obey the court order based on the Sherman Act directing him to stop the strike? and (d) Was labor more responsible than management for the turmoil in Chicago?

Another way to get at the issues of the strike is to assign some of your advanced students to prepare to play a role as one of the main participants. My advice is to assign your most liberal student to the role of Eugene Debs, and your most conservative student to the role of George Pullman.

Chapter 7. Eugene Debs and the Pullman Strike
I-Chart

	What, if any, irresponsible steps did Pullman and the Managers' Association take that provoked and escalated the strike?	What, if any, irresponsible actions did the workers and Debs take that tied up railroad traffic in Chicago?	Who was most responsible for the chaos in Chicago: management or labor?
What I already know			
What I learned from Chapter 7, Part I			
What I learned from Chapter 7, Part II			
What I would still like to learn			

Chapter 7—Eugene Debs and the Pullman Strike

management	**philanthropist**	**multimillionaire**
grievance	**sobriety**	**comparable**
impartial	**deputized**	**immobilized**

Chapter 7—Eugene Debs and the Pullman Strike

Person who has many millions of dollars	Person who has given a great deal of money to charities	Owners and others who run a business
Similar to	Condition of being sober and/or serious and thoughtful	A reason to complain
Prevented from moving	Having been given the power to act for a person or group, as when law enforcement power is given to a civilian	To not have a previously formed opinion; able to make a fair judgment

inciting

Chapter 7—Eugene Debs and the Pullman Strike

Stirring up feelings that get someone to act

Chapter 7
Eugene Debs and the Pullman Strike

Introduction


George Pullman

George Pullman became a multimillionaire because he had a single idea and the practical genius to perfect it. His inspiration came from knowing that railroad passengers traveling long distances would not want to spend restless nights sitting upright on uncomfortable seats. His idea was to provide what became known as the Pullman sleeping car. Wealthy passengers' daytime coaches could be converted into a two-bunk bedroom at night, and they could arrive at their destinations well rested from the benefit of a good night's sleep. On the wings of this insight, Pullman expanded his Palace Car Company into a mighty corporation. He made a fortune of $25 million and employed more than 5000 workers. Not satisfied with making a fortune as a successful entrepreneur, Pullman sought to gain the reputation of a philanthropist. He built what he advertised as a model town for his workmen, complete with a church, a library, playing fields, and a private lake. However, the rents that he charged were 20 percent higher than similar dwellings in surrounding towns, his workers were pressured to live in Pullman Town, and he expected to make a profit from the rents he charged his employees.

At the tender age of 15, Eugene Debs worked at nights for the local railroad and attended school by day. At 18, Debs became the secretary of the Local Brotherhood of Railroad Workers. He did his best to build an organization that would protect the rights of all railroad workers, not just those with special skills. His American Railroad Workers Union won a major strike in 1894 by reversing a 25-cents a day wage cut for unskilled laborers. That same year, his 150,000-man union was asked to support a group of Pullman workers who were fired for protesting a 25 percent wage cut. This set the stage for one of the most famous battles between labor and management in American history.


Eugene Debs

Before the Pullman strike was over, 12 men were dead, $500,000 worth of property was destroyed, and 24 railroads coming in and out of Chicago were shut down. Eugene Debs was blamed for the strike and charged with violating the Sherman Antitrust Act, inciting a riot, and interfering with the U.S. mail.

You will be asked to take sides and decide whether this self-styled defender of the working man should have been blamed for his role in the Pullman strike—or if the guilty parties were George Pullman and his supporters.

Pullman Paradise?

Imagine living in a nice model town on 300 acres, just a few miles away from Chicago. Imagine a lake for boating and swimming, and an island on the lake with athletic fields. The streets and sidewalks of your imaginary village are paved. The front yards are landscaped by the town and include shade-giving trees. School is free and available for everyone through the 8th grade. There is even a pre-kindergarten for children ages 4 to 6, an evening school, a library, and a church. This is the pleasant picture that was painted by George Pullman, who owned the town and employed the people who worked and lived there. However, there was a downside to living in Pullman. Rents were 20 percent higher than comparable housing in Chicago. Workers had to live in Pullman if they wanted to keep their jobs. George Pullman did not allow drinking, and used spies who told him what was happening in his "paradise." Living conditions in Pullman were poor. Sometimes two or even three families lived in a house built for only one. Water had to be hauled up from the basement, and homes didn't have bathtubs. One worker complained:

The town of Pullman

> "We are born in a Pullman house, fed from the Pullman shop, taught in the Pullman school, and when we die we shall be buried in the Pullman cemetery and go to Pullman hell."

The town was also profitable for its owner. It was designed to make a 6 percent yearly profit. The actual profit was only 4 percent a year, but the land it was on increased in value from less than a million to $5 million in 12 years.

Two Views of the Town of Pullman

"[Pullman] is, in fact, philanthropy made practical; humanity, founded on business principles; sobriety, art, music, clean living, refined homes, self-respecting independence of character without paternalism…" —*Chicago Times*, January 10, 1891	"About the only difference between slavery at Pullman and what it was down South before the war, is that there the owners took care of the slaves when they were sick and here they don't." —A worker to a reporter for the *Chicago Herald*, May 31, 1890

Depression and Layoffs

A terrible depression—the worst in its history—hit the U.S. in 1893. Orders for the luxury sleeper and other railroad cars made at Pullman were reduced. Pullman cut wages by 25 percent, and during a ten-month period, 2200 workers were laid off. During that same period, however, he increased payments to stockholders to $2,520,000.

Although times were tough for workers in Pullman Town during the winter of 1893–94, Pullman would not reduce rents in his model community. Wages were paid only after rent was deducted and these deductions reduced some workers' biweekly payments to under seven cents. Pullman claimed to have taken orders for railroad cars that paid less than his cost of producing them. However, he also claimed that he was not responsible for paying his workers a living wage or paying them at all while he had no work for them. He told his dissatisfied and unemployed workers to find jobs somewhere else.

Many of Pullman's unhappy workers joined the newly formed American Railroad Union. Union members asked to talk to Pullman to protest the cuts in their wages. Pullman invited 43 of them to come in and see him. They told Pullman they could not feed their families, and asked him to either increase their pay or decrease their rents. Pullman told them that he had no more need for their services and fired three of the men on the grievance committee. The others quit in protest.

The Railroad Union Boycotts the Pullman Company

At first, Eugene Debs did not want to support the Pullman workers. He was afraid that his new union would lose in a test of strength with the powerful and well-financed Pullman Company. He asked Pullman to rehire the fired workers, restore wage cuts, and bargain with dissatisfied workers, or allow a neutral party to arbitrate (settle) their dispute.

Pullman said he would allow any worker who had a complaint to come and see him as an individual but that there was nothing to arbitrate. Pullman believed that the company was his to run as he saw fit, and no one else had a right to tell him how to manage his business.

After learning that Pullman had refused to meet his workers' demands, Debs decided to come to their aid. Since Pullman made much of his money by renting his luxury sleeper cars to the railroads, Debs ordered workers not to handle trains with Pullman cars attached to them.

The Managers Back Pullman

The managers of the 24 railroads passing through Chicago had formed an organization called the Railroad Managers Association. A successful strike against

Pullman, they believed, would make the union stronger and lead to workers making demands on them. The union might end up striking to raise the wages of all railroad workers. For these reasons, the managers decided to help Pullman break the strike.

The Strike Begins and Spreads

The strike began at noon on June 26, 1894, when Debs ordered American Railroad Union (ARU) members to separate all sleeping cars from the trains pulling them. The Railroad Managers Association responded by ordering mail and Pullman cars be connected to the same trains. The workers who did not obey these orders were fired. To support the fired railroad workers, other ARU members quit. Within three days, 125,000 men were fired and/or stopped working. The railroad managers began looking for men to replace the missing workers.

The Federal Government and the Sherman Act

Before July 5th, there was little violence, and less than $6000 worth of damage done to property. Nevertheless, 24 railroads leading in and out of Chicago were immobilized and 125,000 railroad men and women were out of work. In spite of this, Governor John Altgeld of Illinois thought that he had the situation well in hand. However, President Grover Cleveland read exaggerated accounts from local newspapers, and his advisors told him that it was time for the federal government to do something. The president told Attorney General Richard Olney to get a federal court to order the American Railroad Union to stop the strike.

Governor John Altgeld

"On what should I base my court order?" the judge in question might have asked Olney. "On the Sherman Antitrust Act," the United States Attorney General probably would have replied.

The Sherman Antitrust Act stated that "every contract, combination in the form of trust or otherwise in restraint of trade or commerce among the states" was illegal. The judge gave the order Olney requested, even though the Sherman Act was passed to stop big business from forming monopolies. Without taking into account the railroad managers' part in the conflict, the judge decided that, by refusing to handle Pullman cars, the union was restraining trade. He ordered Debs and any members of the union to stop

> any act whatever…to restrain either of said railroad companies…in the free and unhindered control and handling of interstate commerce…

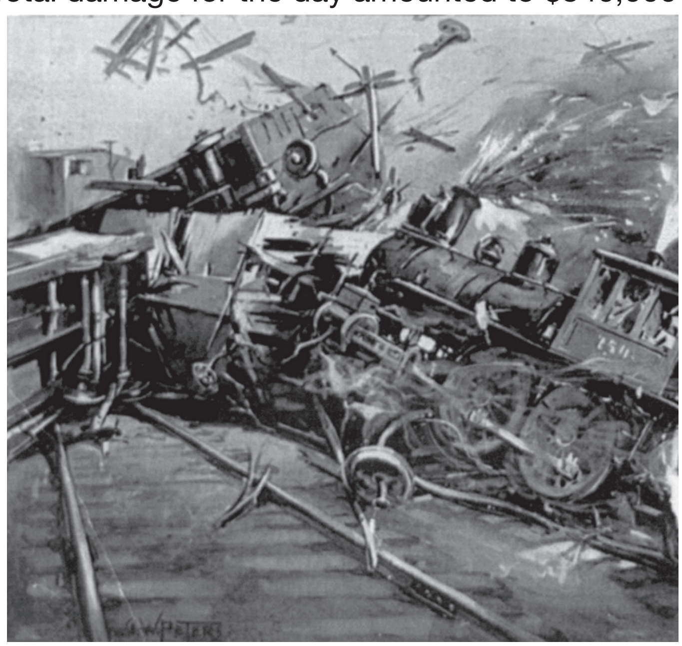
Governor Altgeld continued to believe there was no need for federal troops. Illinois Judge Peter Grosscup contradicted his stand on this question. Grosscup telegraphed Attorney General Richard Olney with the claim that soldiers were needed to keep order and to prevent the destruction of property. He consulted with President Cleveland, and the two decided to rush federal troops under General Nelson Miles to Chicago. Meanwhile, Governor Altgeld claimed that state troopers and city police had the situation under control. The soldiers arrived in Chicago and joined 5000 deputized federal marshals picked by the railroad association, more than 3000 police, and a large number of state militia.

The court order put Debs in a difficult position. If he obeyed the order and ended the strike, the workers would lose; if he refused to obey, he and other leaders of the strike would be arrested. Debs decided to continue the strike, but to do his best to avoid violence. He sent telegrams all over the country telling workers to keep striking but to avoid using force to stop the trains. Debs also repeated his earlier call for impartial arbitration of the strike with no conditions except that the fired workers get rehired. The General Manager's Association supported Pullman's refusal to meet with Debs or union officials or arbitrators. In one speech, Debs allegedly repudiated his calls for nonviolence:

> They have answered our call for arbitration with iron and steel. Now is the time for muscle and blood, not compromise.

Federal troops arrived in Chicago shortly after Debs made the "muscle and blood" statement. Thinking that the troops would allow strikebreakers to take jobs from striking workers, angry mobs set fire to a row of railroad cars. A strong wind fanned the blaze and firemen could not put it out. That night, a mob of 6000 broke into railroad yards and destroyed 700 railroad cars. Total damage for the day amounted to $340,000 compared to the $6000 in damages before the troops arrived.

Later, the government claimed the violence proved that the troops were needed to prevent the riots that followed their arrival. Debs was charged with inciting violence, disobeying a legal court order, interfering with the mail, and violating the Sherman Antitrust Act.



Railroad cars and an engine destroyed by the mob

Student Activities

A. Student Exercises

1. Describe life in Pullman Town from the point of view of (a) George Pullman, or (b) a person who actually lived there.

2. What caused Pullman to lay off many of his workers and to fire others? Were his actions reasonable or unjustified? Explain.

3. How did Debs, Pullman, and the Railroad Managers Association contribute to the strike and the serious problems that it caused in the city of Chicago?

B. Graphic Organizer

Decide which of the following facts support Pullman's side and which support Debs's side of the argument about who was at fault for the turmoil in Chicago and whether Debs should have gone to jail for his actions.

Facts supporting Pullman's side	Facts supporting Debs's side

- Pullman Town had lakes, a library, and pre-kindergarten
- Pullman listened to individual workers' complaints
- Pullman cut wages, laid off workers, and increased dividends
- Pullman workers were not members of Debs's union
- There was little violence before troops came
- Railroad managers ordered mail cars tied to trains with Pullman cars and fired workers who refused
- Debs did not obey the court order to stop the strike
- The injunction was based on the Sherman Act
- Debs said to answer their demands with "iron and blood"
- Huge train tie-up in Chicago; mail could not get through
- Debs told workers to continue the strike peacefully
- Troops were needed to prevent violence
- Orders for Pullman cars decreased during the depression
- Debs came to help Pullman workers by boycotting Pullman cars
- Pullman fired complainers and refused arbitration
- Pullman Town was overcrowded and overpriced

For Further Consideration: Staging a Debate about a Historic Incident

If assigned to assume the role of one of the participants in the Pullman controversy, write a speech from that person's point of view saying who was responsible for the strike and the violence:

- Pullman and management for cutting wages, firing workers, refusing arbitration, and ordering workers to connect the mail cars to the Pullman cars

Or

- Debs and the union for supporting the workers, not handling Pullman cars, calling for "muscle and blood," violating the Sherman Act, and defying the court injunction

Debs and workers were at fault	Pullman and management were at fault
George Pullman—The owner of the model town of Pullman will claim that it is a workers' paradise, that he has the right to hire and fire workers without outside interference, and there was nothing of importance to arbitrate.	Jennie Curtis—The president of "Girls" Local Union and a worker's daughter will testify as to horrible living conditions in Pullman and the cruelty of the man who "owns the houses, the school house, and the churches of God in this town."
John Hopkins—The Chicago mayor will testify that troops were needed, that Debs incited the riot, that workers had no right to strike or disobey orders from employers, and that Debs was interfering in local affairs.	Eugene Debs—The ARU leader will claim that Pullman was a slum landlord and a cruel employer who refused arbitration, that the Sherman Act does not apply to unions, and that his "muscle and blood" speech was meant symbolically.
Peter Grosscup—The judge who issued an order based on the Sherman Act calling for Debs to end the strike will argue that the Sherman Act gives the U.S. government the right to prevent strikes "interfering" with trade between the states.	John Altgeld—The Illinois governor will argue that troops weren't needed; that the violence was caused by workers' fear that the soldiers would help protect strikebreakers; and the Sherman Act did not apply to unions.
Fremont Woods—The federal judge who claimed Debs was a dangerous socialist who opposed the free enterprise system, unlawfully led a strike, refused to obey a legitimate court order, and was responsible for violence and destruction of property.	Clarence Darrow—The lawyer for Debs will claim that Pullman was responsible for the strike by lowering wages, firing workers, and refusing arbitration; that Debs urged nonviolence; and that the injunction was illegal because it was based on the Sherman Act, which did not apply to unions.

Chapter 8. Labor vs. Management
Teacher Page

Overview:

The chapter on the trial of Standard Oil served as a review of the issues raised in the first part of this unit. This chapter, Labor vs. Management, should play the same role for the second part of this unit. It reviews the trickle-down philosophy of advocates for business and the trickle-up philosophy for the friends of labor. In addition, it describes the tactics used by both sides in the struggle over union recognition and wages. The Graphic Organizer has students match terms like “scab” to the correct definitions provided in the exercise. However, the main activity asks students to write an imaginary dialogue between George Pullman and Eugene Debs about the issues that divided them. The “For Further Consideration” section assigns advanced students to research and be prepared to report on one of three major strikes listed in the chapter.

Objectives:

Students will:

- articulate pro-business and pro-labor philosophies, which they can then express by writing a dialogue between representatives of both factions
- understand that the prime struggle between workers and managers was over union recognition and collective bargaining
- define a number of terms (such as “scab,” “blacklist,” and “arbitration”) used by management and labor
- realize that, in addition to the Pullman strike, there were other major contests between management and labor

Strategies:

Before class: Assign the chapter either up to or including the “For Further Consideration” section and inform students they will be expected to write their answers to all the Student Activities questions covering the assigned section(s).

In class: Review the pro-labor and the pro-management arguments, and poll students to see which side they favor. Ask students whether there was anything that was done in the Pullman strike by either labor or management that should not have been allowed. Point out that the strike was about recognizing the right to collective bargaining. Ask whether Debs’s secondary boycott was a fair tactic. Spend time asking students to share their dialogues between Pullman and Debs. If time permits, ask advanced students to report on their research on other strikes or reserve another day for them to make their reports.

Chapter 8. Labor vs. Management
I-Chart

	What steps have managers taken to prevent workers from forming unions? Explain	What steps have workers taken to form unions and to make collective bargaining possible? Explain.	Whose interests are more important to society: workers, or management? Why?
What I already know			
What I learned from Chapter 8, Part I			
What I learned from Chapter 8, Part II			
What I would still like to learn			

Chapter 8—Labor vs. Management

tactic	agitators	eminently
consumer	perspective	solidarity
retirement benefits	arsenal	

Chapter 8—Labor vs. Management

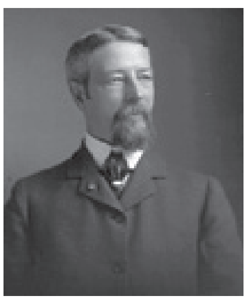
To a great degree	People who provoke others to stir up trouble, usually for a political reason	A plan to achieve a short-term goal
Having the same interests and commitment to working together for a common purpose	The point of view from which someone looks at things	Someone who buys things
	Usually a supply of weapons, but can also refer to non-military supplies	Something received by older people who no longer work, often money and health benefits

Chapter 8
Labor vs. Management

Introduction

You have just studied the Pullman Strike, a well-known battle between workers (labor) and their bosses (management). The battle between labor and management has a long history, and over the years both sides have developed reasons to support their positions. You will learn about the arguments used by labor and by management to convince others that they are right. In the United States, as well as in all industrializing countries, both sides have also developed certain tactics to prevail in their struggle for power. You saw many of these tactics used in the Pullman strike, and you will learn more about them in this chapter.

The Case for Management


George F. Baer

In its most extreme form, the views of management were expressed by George F. Baer, president of the coal mine that owned the Reading Railroad, when he was confronted with a strike by coal workers:

> The rights and interests of the laboring man will be protected and cared for, not by the labor agitators, but by the Christian men to whom God in His infinite wisdom has given control of the property interests of the country.

Management claimed that the people who owned the business had a right to make decisions for the business, and, in the words of General Motors' president Charles Wilson, "What is good for General Motors is good for America." In other words, management based its argument on the belief that prosperity trickles down from businesses to the workingman and the rest of the country. President John F. Kennedy expressed this idea when responding to criticism that his tax cut would benefit only wealthy Americans: he replied, "A rising tide lifts all boats."

Basically, management wants a free hand to make all decisions that will benefit the company. Managers will argue that raising wages increases the cost of doing business. If wages are too high, businesses cannot make profits. Profits get reinvested to increase production. Increased production makes it possible to hire more workers and to produce more goods for consumers. If management loses money and the firm goes out of business, consumers, workers, and management suffer.

The Case for Labor

William Jennings Bryan

In his famous speech before his party's convention, presidential candidate William Jennings Bryan declared:

> There are two ideas of government. There are those who believe that if you just legislate to make the well-to-do prosperous, that their prosperity will leak through on those below. The Democratic idea has been that if you legislate to make the masses prosperous their prosperity will find its way up and through every class that rests upon it.

The logic behind Bryan's assertion runs as follows: The majority of the people in the United States are workers, not businessmen. Workers need to feed and clothe their families. If workers prosper, they will be able to buy more products that businesses produce. While running for office, President Barack Obama expressed this idea when answering a question posed by a man planning to buy a plumbing business, "If you've got a plumbing business, you're going to be better off if you've got a whole bunch of customers who can afford to hire you." Customers help provide a market: more customers allow businesses to increase sales, earn more money, expand production, and gain more profits. As the famous labor leader Walter Reuther once told automobile maker Henry Ford: improved machinery may be able to help Ford make cars, but he still needs people to buy them.

Labor vs. Management: Two Modern Views:

> One of the functions of a union is to monopolize labor. To the extent that they actually succeed in doing so, unions are bad for society in the same way that any monopoly is bad for society. In case you haven't been following along on the play-by-play, it's because a monopoly can charge monopoly prices. A monopoly gets monopoly prices by restricting the amount of production so as to move the price point to a more profitable position. You can see, now, why unions are always threatening to strike…
>
> —Russ Nelson, "The Unions Are for Unions," Forbes.com, May 24, 2004

> Without union representation, the working person is at the mercy of the employer. A single employee cannot bargain effectively on their own behalf. They are eminently replicable, with a long line of people waiting to take their place. This is just as the company would have it. With a strong union representing the majority of employees, the company is forced to bargain over wages and benefits.
>
> —Comment to the article "Measure Would Counter Wal-Mart's Union-Busting Tactics," http://www.tucsoncitizen.com/ss/election/94112.php

Tactics Used by Both Sides

In their conflict over wages and working conditions, labor and management have developed tactics to further their causes. You read about some of these tactics in the battle between the Pullman Palace Car Company and the American Railroad Union. Let's review some of the events in that classic battle between unions and management to see how these tactics were used.

Union Recognition and Collective Bargaining: Management Tactics

A key issue between workers and management is union recognition and collective bargaining. Workers want to have their representatives able to talk to and bargain with management over pay and working conditions as well as retirement benefits. Managers prefer to deal with workers as individuals and not as a group. As long as workers are not organized, they have no power to effect change, and management can make all the decisions regarding labor.

In the Pullman Strike, you were made aware of the workers' committee of 43 who talked with George Pullman about layoffs and cuts in wages. Pullman listened to their complaints and then fired three members of the committee. He, in effect, refused to recognize a right to collective bargaining.

Many managers were willing to do whatever they could get away with in order to stop workers from forming unions and to avoid bargaining with them in good faith. Among these tactics were the following:

- **Yellow dog contract:** Forcing workers to sign a contract not to join a union
- **Blacklist:** Circulating the names of persons who were union organizers or "troublemakers" so they would not be hired by anyone else
- **Finks:** Also called labor spies; often known today as "snitches." They are people hired to pretend they are employees and tell management what they know about union activities.
- **Company Unions:** Managers might organize a union that is under their control to prevent workers from forming a more radical union of their own.
- **Refusing binding arbitration:** Arbitration refers to a neutral third party who settles a dispute after listening to both sides. Generally, managers refuse arbitration because they do not want others to make decisions that might hurt their business.
- **Injunctions:** Management has often succeeded in getting court orders to have unions stop striking. Government during the 19th century had a habit of siding with management during labor disputes.

Strikes and Secondary Boycotts: Union Tactics

The most powerful weapon in workers' arsenals is to withhold their labor—in other words, to **strike**. A strike or the mere threat of a strike is the power that calls management's attention to workers' demands. The Pullman workers never actually went on strike, but Eugene Debs came to their aid by directing members of his railroad workers union to boycott (not handle) Pullman cars. This is called a **secondary boycott.** It is an action committed by a party not directly involved in a labor conflict to help the strikers by boycotting management's operations.

During strikes and secondary boycotts, workers and managers have used various tactics to win. Workers will place **pickets** around the firm being struck to prevent anyone from assisting management. At all costs, workers try to prevent managers from hiring **strikebreakers.** Strikebreakers—or "scabs," as workers call them—will take jobs at a place where workers are on strike, and hiring them is a favorite tactic of management. One of the reasons for violence when federal troops arrived in Chicago was because workers were afraid that the troops would allow scabs to take their places working on the railroads.

Propaganda and Government Intervention

Both workers and managers try to get public opinion on their side. In this struggle, management usually has the upper hand. Strikes, like the Pullman strike, cause great difficulties for the public. Management did its best during the Pullman strike to blame Debs and his ARU for the disturbances caused by their secondary boycott. Usually, the strikers are blamed rather than management, who may have actually caused the strike to take place.

Managers like to call for assistance from the government (federal or state) to break up strikes. They succeeded in the case of the Pullman strike. A court order (an injunction) was issued ordering Debs to call off his boycott of trains pulling Pullman cars. The government had intervened in favor of management, arrested Debs, and ended the strike.

More Labor Tactics

It wasn't until the 20th century that workers could organize successfully. Once they managed to get unions recognized as collective bargaining agents, they too developed tactics that increased their power:

Sit down strike: During the 1930s, workers developed the technique of staying in factories and not working until management recognized their union. This technique worked because management could not hire scabs and did not want to risk damage to machinery by having police remove workers from the factory they occupied.

Closed Shop: Unions want management to hire only workers who are already union members.

Union Shop: Unions want all workers in a factory to be dues-paying members of the union. The dues give unions money with which to support workers who are on strike, and full union membership supports worker solidarity.

Student Activities

A. Graphic Organizer

Match the terms to the definitions in the chart:

Term	Definition
	Person working in a plant on strike
	Someone who "snitches" on workers
	Walking with signs around a place on strike
	Agreement a worker signs not to join a union
	Making sure troublemakers don't find jobs elsewhere
	Strike settled by an impartial party
	Both sides negotiate in good faith
	Making everybody on the job join a union

Terms

- fink
- yellow dog contract
- blacklist
- picket
- arbitration
- collective bargaining
- scab
- union shop

B. Student Exercises

1. Pick four labor or management practices and explain why they should or should not be prohibited.

2. Imagine a conversation between Eugene Debs and George Pullman. Write what each might have said in response to what the other would have argued. Include as many references as you can to the Pullman strike, living and working conditions among the poorest workers, the doctrine of *laissez-faire*, trickle-down or trickle-up theories, and the right of management to make decisions for their corporations.

For Further Consideration: Doing Research on Strikes

Using the Internet, a U.S. history text, or another source, research one of the following strikes. Take careful notes from your source, and be prepared to report to the class:

1. The Railroad Strike of 1877
2. The Homestead Strike of 1892
3. The Steel Strike of 1919

Your report should include something on:

a. The cause(s) of the strike
b. A description of the actions taken by both sides
c. What role the U.S. government played
d. The outcome of the strike