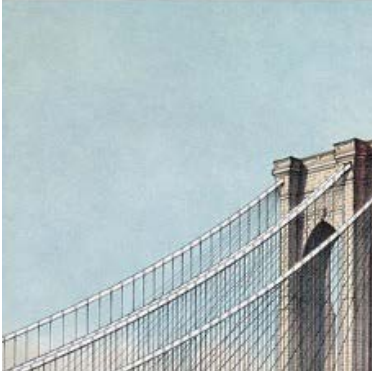
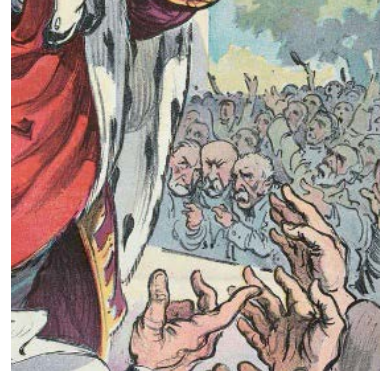
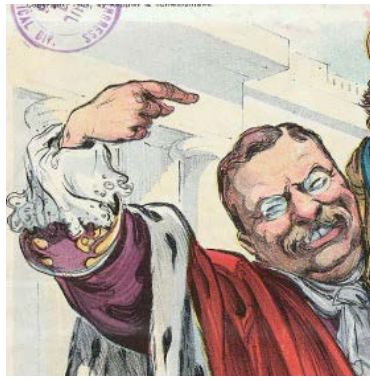
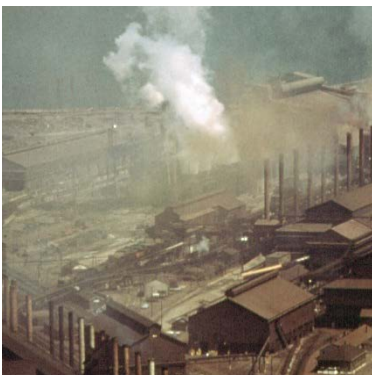
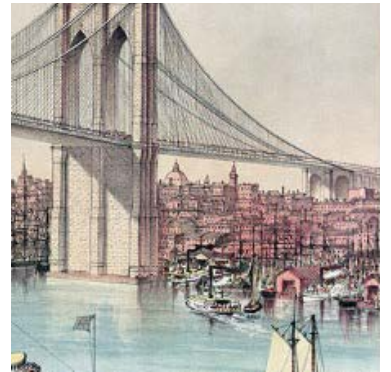
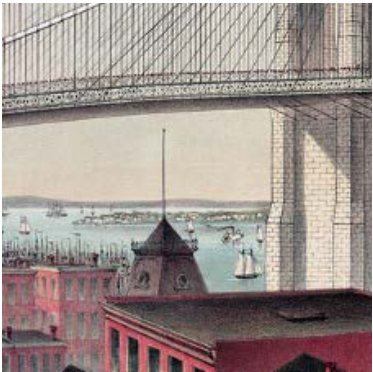




9



# IS GREED GOOD?





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Q u e s t i o n N i n e

# IS GREED GOOD?

EXPLORING AMERICA'S HISTORY THROUGH COMPELLING QUESTIONS

## SUPPORTING QUESTIONS

- 1 WERE THEY CAPTAINS OF INDUSTRY OR ROBBER BARONS?
- 2 DOES MONEY MAKE YOU POWERFUL?
- 3 WHO SHOULD BE IN CHARGE, WORKERS OR OWNERS?
- 4 HOW SHOULD GOVERNMENT BALANCE THE POWER OF SOCIAL CLASSES?

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## Q u e s t i o n N i n e

# IS GREED GOOD?

The 40 years that followed the Civil War has often been referred to by historians and the Gilded Age. During this time, America saw impressive economic growth and the unprecedented expansion of major cities, especially in the North and West.

Technological innovations of the time included the telephone, skyscraper, refrigerator, car, linotype machine, electric lightbulb, typewriter, and electric motor. These inventions provided the bases for modern consumerism and industrial productivity.

In the two decades after the Civil War, the 1870s and 1880s, the economy rose at the fastest rate in its history. By the beginning of the 20<sup>th</sup> century, per capita income and industrial production in the United States led the world, with per capita incomes double those of Germany or France, and 50% higher than those of Britain.

The businessmen of the era created industrial towns and cities in the Northeast with new factories, and hired an ethnically diverse industrial working class, many of them new immigrants from Europe.

All of this growth was driven by individuals who wanted to make better lives for themselves and their families. This drive, to make money, created opportunities and remade America. In this sense, greed is positive. However, industrial leaders often manipulated their workers, keeping more profits for themselves. Long-suffering workers went on strike, or boycotted business. Labor unrest and violence were the result of this side of greed. This leads us to our question. Is greed good?



# 1

## F I R S T Q U E S T I O N WERE THEY CAPTAINS OF INDUSTRY OR ROBBER BARONS?

IS GREED  
GOOD?

### INTRODUCTION

The great industrialists of the Gilded Age remade America. They built great transportation networks, powered the industrial revolution with oil, provided the steel needed for skyscrapers, bridges, and railroads, and financed all this growth. In this sense, they are rightly admired and the small collection of men who led the industries of the time are called captains of industry.

But another name has also been applied to the same group of men. The super-rich industrialists and financiers were called robber barons by the workers they manipulated, and the voters who watched them bribe public officials.

What follows is an introduction to a few of the great industrialists. It is up to you to decide. Were they captains of industry who benefited society, or robber barons who ultimately had a negative effect on America?

# 1 WERE THEY CAPTAINS OF INDUSTRY OR ROBBER BARONS?

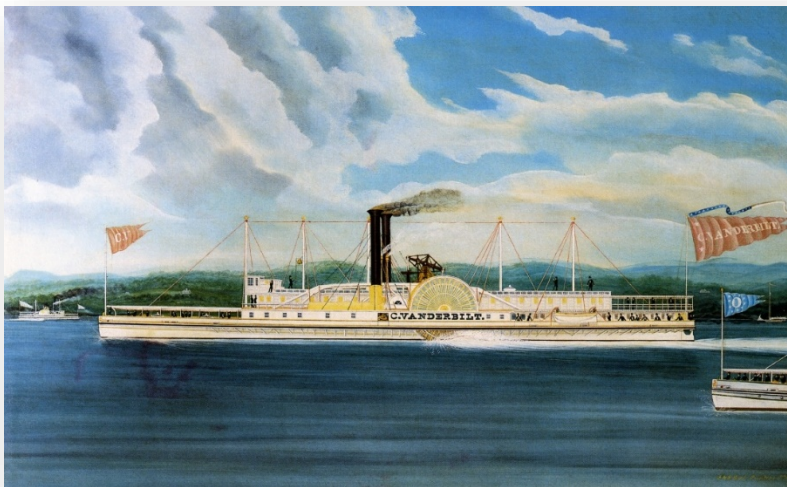
## CORNELIUS VANDERBILT

**Cornelius Vanderbilt** was the first great American industrialist. He was born in New York in 1794, just two years before the Declaration of Independence was signed. He grew up without much formal education, but went to work in the shipping industry. Nicknamed “The Commodore” he successfully built an empire in transportation.

His first ventures in steamships proved profitable, especially because of the demand for shipping that resulted from the California Gold Rush and the Civil War. After the war, he turned his attention to railroads. He bought out competitors and assembled the New York Central Railroad. His Grand Central Depot in New York City is still one of the most impressive railroad stations in the world.

In his later years, he established a pattern of **philanthropy** that other industrialists would follow. With his fortune, he founded Vanderbilt University in Nashville, Tennessee.

His grandson eventually used the family money to build one of America’s largest private homes, the Biltmore Estate.



**Cornelius Vanderbilt:** American business leader who made a fortune in the shipping and railroad business in the 1800s. Known as the Commodore, he owned the New York Central Railroad and built New York City’s Grand Central Terminal.

**Philanthropy:** Giving money. For example, Carnegie donated much of his fortune to build libraries around the world.

### Primary Source: Painting

Vanderbilt’s steamship, which he named after himself.

## ANDREW CARNEGIE

Oil was not the only commodity in great demand during the Gilded Age. The nation also needed steel.

The railroads needed steel for their rails and cars, the navy needed steel for its new naval fleet, and cities needed steel to build skyscrapers. Every factory in America needed steel for their physical plant and machinery. Andrew Carnegie saw this demand and seized the moment.



# 1 WERE THEY CAPTAINS OF INDUSTRY OR ROBBER BARONS?

Like other industrialists, **Andrew Carnegie** was not born into wealth. When he was 13, his family came to the United States from Scotland and settled in Allegheny, Pennsylvania, a small town near **Pittsburgh**. His first job was in a cotton mill, where he earned \$1.20 per week.

His talents were soon recognized and Carnegie found himself promoted to the bookkeeping side of the business. An avid reader, Carnegie spent his Saturdays in the homes of wealthy citizens who were gracious enough to allow him access to their private libraries. After becoming a telegrapher for a short while, he met the head of a railroad company who asked his services as a personal secretary.



**Andrew Carnegie:** Industrialist who monopolized the steel industry.



**Pittsburg, Pennsylvania:** City in western Pennsylvania that was home to America's steel industry.

Primary Source: Photograph

Inside Carnegie's Homestead Steel Mill near Pittsburg, Pennsylvania.

Carnegie became a tycoon because of shrewd business tactics. Rockefeller often bought other oil companies to eliminate competition. This is a process known as **horizontal integration**. Carnegie also created a **vertical integration**. He bought railroad companies and iron mines. If he owned the rails and the mines, he could reduce his costs and produce cheaper steel.

Carnegie was a good judge of talent. His assistant, **Henry Clay Frick**, helped manage the **Carnegie Steel Company** on its way to success. Carnegie also wanted productive workers. He wanted them to feel that they had a vested interest in company prosperity so he initiated a profit-sharing plan.

All these tactics made the Carnegie Steel Company a multi-million dollar corporation. In 1901, he sold his interests to J.P. Morgan, who paid him 500 million dollars to create U.S. Steel.



**Horizontal Integration:** A type of monopoly in which one business controls all of one stage of an industry. For example: Carnegie owned all of the steel mills.



**Vertical Integration:** A type of monopoly in which a business undercuts its competitors by owning a company at each stage of an industry. For example: Carnegie owned mines, ships, railroads, and steel mills.



**Henry Clay Frick:** Carnegie's to assistant. An industrialist in his own right, he owned the coke mines used to power the Carnegie steel operation.

# 1 WERE THEY CAPTAINS OF INDUSTRY OR ROBBER BARONS?

## ANDREW MELLON

The son of a banker and judge, **Andrew Mellon** showed remarkable talent for investment and banking at an early age. In 1872, his father set him up in a lumber and coal business, which he soon turned into a profitable enterprise. He joined his father's banking firm, T. Mellon & Sons, in 1880 and two years later had ownership of the bank transferred to him. In 1889, Mellon helped organize the Union Trust Company and Union Savings Bank of Pittsburgh. He also branched into industrial activities: oil, steel, shipbuilding, and construction.

Areas where Mellon's backing created giant enterprises included aluminum, industrial abrasives, and coke. Mellon financed Charles Martin Hall, whose refinery grew into the Aluminum Company of America (Alcoa). He created an entire industry through his help to Heinrich Koppers, inventor of coke ovens, which transformed industrial waste into usable products such as coal-gas, coal-tar, and sulfur. Mellon also became an early investor in the New York Shipbuilding Corporation.

Mellon was one of the wealthiest people in the United States, the third-highest income-tax payer in the mid-1920s, behind John D. Rockefeller and Henry Ford.

Unlike other industrialists of his time, Andrew Mellon also served in government. He was Secretary of the Treasury throughout the 1920s under presidents Harding, Coolidge and Hoover.

Like Carnegie, Mellon also gave away large sums of his fortune. Carnegie-Mellon University was founded with the two men's money. Mellon also provided the money to establish the National Gallery of Art in Washington, DC.

## J. PIERPONT MORGAN

Not all of the tycoons of the Gilded Age were rags-to-riches stories. **J. Pierpont Morgan** was born into a family of great wealth. His father had already made a name for himself in the banking industry. With Morgan's family resources, he enjoyed the finest business education money could buy.

He did not scratch and claw his way to the top of any corporate ladder. His father arranged for an executive track position at one of New York's finest banks. Regardless of his family's advantages, Morgan had a great mind of his own. He set out to conquer the financial world, and conquer it he did.

Morgan's first business ventures were in banking. By 1860, he had already established his own foreign exchange office. He knew the power of investment. Not content to control just the banking industry, he bought many smaller ventures to make money.



**Carnegie Steel Company:** Andrew Carnegie's steel business. Later known as U.S. Steel after it was purchased by J.P. Morgan.



**Andrew Mellon:** American financier. He was so wealthy he bailed out the U.S. government during financial crisis.



**J.P. Morgan:** American financier who purchased Carnegie Steel. His businesses were the target of antitrust lawsuits.

## 1 WERE THEY CAPTAINS OF INDUSTRY OR ROBBER BARONS?

During the Civil War, he paid the legally allowed fee to purchase a substitute soldier and evaded military service. Morgan made handsome profits by providing war materials.

After the war, he set out to corner the nation's financial markets. When the Panic of 1873 rocked the nation's economy, Morgan protected himself wisely and emerged in the aftermath as the king of American finance.

Despite his label as a robber baron, Morgan felt his investments benefited America. His railroad dealings helped consolidate many smaller, mismanaged firms, resulting in shorter trips and more dependable service. Two times during financial panics he allowed the federal government to purchase his vast gold supplies to stop the spiral of deflation.

He owned a bridge company and a tubing company. His most renowned purchase was in 1901, when he bought the Carnegie Steel Company for \$500 million to create **U.S. Steel**. Within ten years U.S. Steel was worth over a billion dollars.



**U.S. Steel:** Name given to Carnegie Steel after it was purchased by J.P. Morgan.

### Primary Source: Photograph

The Homestead steelworks. It was the center of Carnegie Steel and the U.S. Steel after J.P. Morgan purchased the company.



Morgan's actions marked a shift in thinking among American industrialists. He proved that it was not necessary to be a builder to be successful. Smart investment and efficient consolidation could yield massive profits. Young entrepreneurs shifted their goals to banking in the hopes of mirroring Morgan's success.

For all his accomplishments, he was harshly criticized. The first decade of the twentieth century brought challenges to Morgan from the government. His Northern Securities Railroad company was deemed illegal under federal antitrust law, the first such action by the national government. He was investigated by Congress for his control of the financial markets. Even U.S. Steel was forced to relinquish its monopoly.

# 1 WERE THEY CAPTAINS OF INDUSTRY OR ROBBER BARONS?

Jaded by the criticism, Morgan moved to Europe, where he lived his final days. He was a favorite target of intellectuals who claimed that such tycoons robbed the poor of their deserved wealth. He was a hero to enterprising financiers across the land who dreamed of following his example. That is, of course, unless they were destroyed by his shrewd, fierce tactics.

By the time of his death, J. P. Morgan owned or partially owned multiple railroads, General Electric, the American Bridge Company, and AT&T. His investment bank survives today in the form of MorganStanley.

## JOHN D. ROCKEFELLER

He was America's first billionaire.

In a pure sense, the goal of any capitalist is to make money. And **John D. Rockefeller** could serve as the poster child for capitalism. Overcoming humble beginnings, Rockefeller had the vision and the drive to become the richest person in America.

At the turn of the century, when the average worker earned \$8 to \$10 per week, Rockefeller was worth millions.

Whatever conclusions can be drawn, Rockefeller's impact on the American economy demands recognition.

Rockefeller was born in 1839 in Moravia, a small town in western New York. His father practiced herbal medicine, professing to cure patients with remedies he had created from plants in the area. John's mother instilled a devout Baptist faith in the boy, a belief system he took to his grave. After graduating from high school in 1855, his family sent him to a Cleveland business school.

Young John Rockefeller entered the workforce on the bottom rung of the ladder as a clerk in a Cleveland shipping firm. Always thrifty, he saved enough money to start his own business in produce sales. When the Civil War came, the demand for his goods increased dramatically. Rockefeller took advantage of the opportunity and amassed himself a small fortune.

He took advantage of the loophole in the Union draft law by purchasing a substitute to avoid military service. When Edwin Drake discovered oil in 1859 in **Titusville, Pennsylvania**, Rockefeller saw the future. He slowly sold off his other interests and became convinced that refining oil would bring him great wealth.

Rockefeller introduced techniques that totally reshaped the oil industry. In the mid-19th century, the chief demand was for kerosene. In the refining process, there are many by-products when crude oil is converted to kerosene. What others saw as waste, Rockefeller saw as gold. He sold one byproduct, paraffin to candle makers, and another byproduct, petroleum jelly, to medical supply companies. He even sold off other "waste" as paving



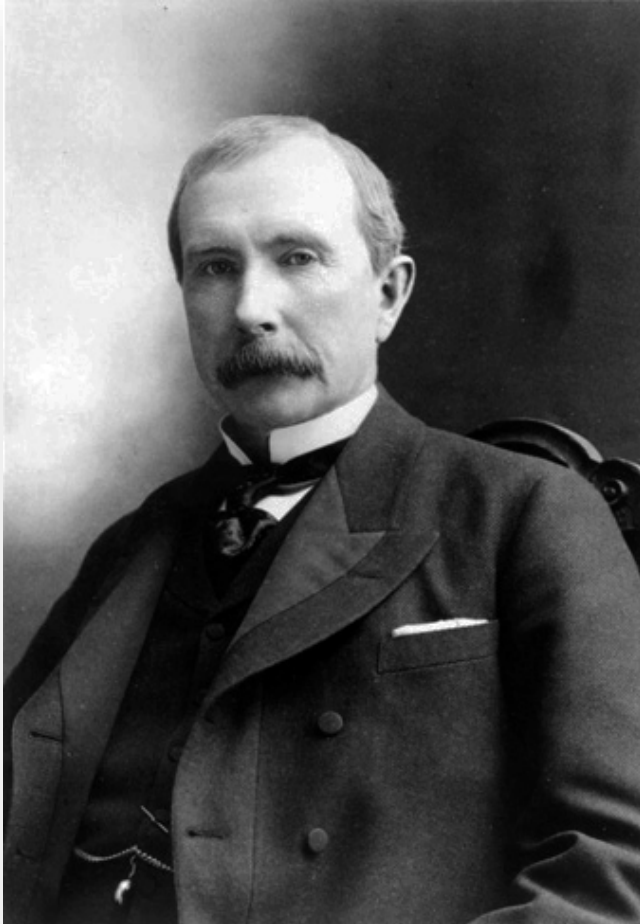
**John D. Rockefeller:** American industrialist who dominating the oil business. He was the richest man in America.



**Titusville, Pennsylvania:** Site of the first oil wells in America. Rockefeller got his start refining the oil found here.

## 1 WERE THEY CAPTAINS OF INDUSTRY OR ROBBER BARONS?

materials for roads. He shipped so many goods that railroad companies drooled over the prospect of getting his business.



### Primary Source: Photograph

John D. Rockefeller at the height of his power and influence. In later years he turned control of his company over to his sons and lieutenants. He became an avid golfer and retired to Florida.

Rockefeller demanded **rebates**, or discounted rates, from the railroads. In exchange, he offered guaranteed the friendly railroad the right to ship his oil. He used all these methods to reduce the price of oil to his consumers. His profits soared and his competitors were crushed one by one. Rockefeller forced smaller companies to surrender their stock to his control.

Instead of buying his competitors, Rockefeller bought their stock. In this way, he controlled all of the business without consumers knowing who was really benefiting from their patronage. Also, Rockefeller did not have to do the day-to-day work of managing all of the businesses he controlled. However, by eliminating competition, he could guarantee profits.

This sort of arrangement is called a **trust**. A trust is a combination of firms formed by legal agreement. Trusts often reduce fair business competition. As a result of Rockefeller's shrewd business practices, his large corporation, the **Standard Oil Corporation**, became the largest business in America.



**Rebate:** Money paid back as an incentive. For example, railroad companies gave Rockefeller these in exchange for the exclusive right to ship his oil.



**Trust:** A legal business entity that owns other companies. Industrialists used these to avoid taxes, laws restricting business practices, and to hide the integration of the many elements of their empires.



**Standard Oil Corporation:** John D. Rockefeller's petroleum business.

## 1 WERE THEY CAPTAINS OF INDUSTRY OR ROBBER BARONS?

As the new century dawned, Rockefeller's investments mushroomed. With the advent of the automobile, gasoline replaced kerosene as the number one petroleum product. Rockefeller was a bona fide billionaire. Critics charged that his labor practices were unfair. Employees pointed out that he could have paid his workers a fairer wage and settled for being a half-billionaire.

Before his death in 1937, Rockefeller gave away nearly half of his fortune. Churches, medical foundations, universities, and centers for the arts received hefty sums of oil money. Whether he was driven by good will, conscience, or his devout faith in God is unknown. Regardless, he became a hero to many enterprising Americans.




### Primary Source: Photograph

William Clark's mansion on 5<sup>th</sup> Avenue in New York City. The stretch of road became known as "Millionaires' Row" because of the numerous mansions built there by the super-rich of the Gilded Age.

### OTHER INDUSTRIALISTS

**Marshall Field** of Chicago was the founder of Marshall Field and Company, a major department store chain. His business was renowned for its then-exceptional level of quality and customer service. Eventually, his company merged with Macy's. Field is also known for some of his philanthropic

 **Marshall Field:** American industrialist who dominated the department store industry. His chain of stores was based in Chicago, Illinois.

# 1 WERE THEY CAPTAINS OF INDUSTRY OR ROBBER BARONS?

donations, providing funding for the Field Museum of Natural History and donating land for the campus of the University of Chicago.

**Leland Stanford** was an industrialist and politician who migrated to California from New York at the time of the Gold Rush. He became a successful merchant and wholesaler, and built a business empire. He spent one two-year term as Governor of California after his election in 1861, and later eight years as a senator from the state. As president of Southern Pacific Railroad and, beginning in 1861, Central Pacific, he had tremendous power in the region and a lasting impact on California. He and his wife founded Stanford University.

**William Clark** started his career as a miner and merchant during the heady days of the gold rush. Eventually, he made his way to Butte, Montana, where he built a mining empire based on copper. Known as the “Copper King,” Clark eventually also became a senator, although it was widely known that he had purchased the honor by bribing Montana legislators.

## CONCLUSION

They built the industrial America that we know today. In that sense, they can rightly be heralded as **captain of industry**. They certainly demonstrated impressive talent for business, leadership and investment, and many of them gave away large portions of their fortunes to benefit society. Or, should he be demonized as a **robber barons** who exploited poor immigrant workers, unjustly enriched themselves, and manipulated government to their advantage?

What do you think? Were they robber barons or captains of industry?



**Leland Stanford:** Industrialist and politician who made his fortune in California during the Gold Rush. He went on to be president of the Southern Pacific Railroad and Governor of California.



**William Clark:** Industrialist who dominated the copper mining industry. He was known as the “Copper King.”



**Captain of Industry:** Nickname for the industrialists of the Gilded Age. It alludes to the fact that they led great enterprises and advanced the quality of life for many Americans.



**Robber Baron:** Derogatory nickname for the industrialists of the Gilded Age. It refers to the unfair business practices they engaged in and their mistreatment of workers.

# 1 WERE THEY CAPTAINS OF INDUSTRY OR ROBBER BARONS?

## SUMMARY

In the decades after the Civil War, the industrial revolution exploded in the North. This period saw a rise in consolidation and the development of monopolies dominated by extraordinarily wealthy industrialists.

Cornelius Vanderbilt dominated the transportation industry. He started with ferries, but later owned the New York Central Railroad. He was the first to start giving away his fortune. His money built Vanderbilt University.

Andrew Carnegie consolidated the steel industry. Pittsburg grew as the center of the steel industry. Carnegie sold his steel empire to J.P. Morgan in 1901. He gave his money away to build libraries, universities and Carnegie Hall in New York City.

Andrew Mellon was a leader in the banking industry. He also served in government as Secretary of the Treasury. He gave his money to build the National Art Gallery in Washington, DC.

J.P. Morgan was also a banker. He bought Carnegie's steel company and renamed it US Steel. He also owned controlling stakes in General Electric, AT&T and numerous railroads.

John D. Rockefeller was the nation's richest man. He owned Standard Oil. He pioneered the use of trusts as a way to avoid antitrust laws. Rockefeller gave his money away to build universities and hospitals.

Other great industrialists of the time included Marshall Field who owned a department store chain and Leland Stanford who owned land and railroads in California. Stanford University was built with his money. William Clark dominated copper mining.

People who admired these men called them captains of industry. Those who criticized them for their underhanded competitive tactics and mistreatment of workers called them robber barons.

Some of these industrialists tried to dominate all of one stage of a business. For example, Clark bought all of the copper mines. This is a horizontal monopoly. Others bought one company at each stage of business. Carnegie bought a steel mine, iron ore mine, railroad and ships. This is a vertical monopoly. Rockefeller used trusts to high his businesses. In this way, he controlled many companies that the public thought were competitors.





## KEY CONCEPTS

**Philanthropy:** Giving money. For example, Carnegie donated much of his fortune to build libraries around the world.

**Horizontal Integration:** A type of monopoly in which one business controls all of one stage of an industry. For example: Carnegie owned all of the steel mills.

**Vertical Integration:** A type of monopoly in which a business undercuts its competitors by owning a company at each stage of an industry. For example: Carnegie owned mines, ships, railroads, and steel mills.

**Rebate:** Money paid back as an incentive. For example, railroad companies gave Rockefeller these in exchange for the exclusive right to ship his oil.

**Trust:** A legal business entity that owns other companies. Industrialists used these to avoid taxes, laws restricting business practices, and to hide the integration of the many elements of their empires.

**Captain of Industry:** Nickname for the industrialists of the Gilded Age. It alludes to the fact that they led great enterprises and advanced the quality of life for many Americans.

**Robber Baron:** Derogatory nickname for the industrialists of the Gilded Age. It refers to the unfair business practices they engaged in and their mistreatment of workers.



## PEOPLE AND GROUPS

**Cornelius Vanderbilt:** American business leader who made a fortune in the shipping and railroad business in the 1800s. Known as the Commodore, he owned the New York Central Railroad and built New York City's Grand Central Terminal.

**Andrew Carnegie:** Industrialist who monopolized the steel industry.

**Henry Clay Frick:** Carnegie's top assistant. An industrialist in his own right, he owned the coke mines used to power the Carnegie steel operation.

**Andrew Mellon:** American financier. He was so wealthy he bailed out the U.S. government during financial crisis.

**J.P. Morgan:** American financier who purchased Carnegie Steel. His businesses were the target of antitrust lawsuits.

**John D. Rockefeller:** American industrialist who dominated the oil business. He was the richest man in America.

**Marshall Field:** American industrialist who dominated the department store industry. His chain of stores was based in Chicago, Illinois.

**Leland Stanford:** Industrialist and politician who made his fortune in California during the Gold Rush. He went on to be president of the Southern Pacific Railroad and Governor of California.

**William Clark:** Industrialist who dominated the copper mining industry. He was known as the "Copper King."



## LOCATIONS

**Pittsburg, Pennsylvania:** City in western Pennsylvania that was home to America's steel industry.

**Titusville, Pennsylvania:** Site of the first oil wells in America. Rockefeller got his start refining the oil found here.



## COMPANIES

**Carnegie Steel Company:** Andrew Carnegie's steel business. Later known as U.S. Steel after it was purchased by J.P. Morgan.

**U.S. Steel:** Name given to Carnegie Steel after it was purchased by J.P. Morgan.

**Standard Oil Corporation:** John D. Rockefeller's petroleum business.



# 2

## S E C O N D Q U E S T I O N DOES MONEY MAKE YOU POWERFUL?

IS GREED  
GOOD?

### INTRODUCTION

The Gilded Age was a time during which a few people controlled most of America's money. This inequality has repeated itself a various times in America's history, including in the present. Wealth is often seen as a mark of success and the industrialists were either looked up to or reviled for their extravagant wealth, but certainly respected for the power their wealth bought.

Politicians in the Gilded Age understood the power of money. Many of them took money for business owners in exchange for favors. Bribery was common, and corruption in city government was so prevalent that it was practiced openly.

But the great monopolies of the past do not exist today, and although there are still dishonest politicians who take bribes for favors, our current situation is far better than the days of the Gilded Age. So, money did not always win out.

What do you think? Does money make you powerful?

### THE FORGETTABLE PRESIDENTS

The Gilded Age is usually remembered for the accomplishments of thousands of American thinkers, inventors, entrepreneurs, writers, and promoters of social justice. Few politicians had an impact on the tremendous change transforming America. The Presidency was at an all-time low in power and influence, and the Congress was rife with corruption. State and city leaders shared in the graft, and the public was kept largely unaware. Much like in the colonial days, Americans were not taking their orders from the top; rather, they were building a new society from its foundation.

The American Presidents who resided in the White House from the end of the Civil War until the 1890s are sometimes called the Forgettable Presidents. A case-by-case study helps illustrate this point.

Andrew Johnson was so hated he was impeached and would have been removed from office were it not for a single Senate vote.

**Ulysses S. Grant** was a war hero but was unprepared for public office. He had not held a single elected office prior to the Presidency and was totally naive to the workings of Washington. He relied heavily on the advice of insiders who were stealing public money. His secretary of war sold Native American land to investors and pocketed public money. His private secretary worked with officials in the Treasury Department to steal money raised from the tax on whiskey.

Many members of his Administration were implicated in the **Crédit Mobilier Scandal**, which defrauded the American public of common land. Grant himself seemed above these scandals, but lacked the political skill to control his staff or replace them with officers of integrity.

His successor was **Rutherford B. Hayes**. Hayes himself had tremendous integrity, but his Presidency was weakened by the means of his election. After the electoral votes were counted, his opponent, Samuel Tilden, already claimed a majority of the popular vote and needed just one electoral vote to win. Hayes needed twenty. Precisely twenty electoral votes were in dispute because the states submitted double returns — one proclaiming Hayes the victor, the other Tilden. A Republican-biased electoral commission awarded all 20 electoral votes to the Republican Hayes, and he won by just one electoral vote.

While he was able to claim the White House, many considered his election a fraud, and his power to rule was diminished.

**James Garfield** succeeded Hayes to the Presidency. After only four months, his life was cut short by an assassin's bullet. Charles Guiteau, the killer, was so upset with Garfield for overlooking him for a political job that he shot the President in cold blood on the platform of the Baltimore and Potomac train station.



**Ulysses S. Grant:** General and hero of the Civil War who became president. Although honest, he was a poor politician. His administration was weakened by the Crédit Mobilier Scandal.



**Crédit Mobilier Scandal:** Political scandal during Grant's presidency. His aids enriched themselves with the sale of public land.



**Rutherford B. Hayes:** Republican President elected in 1877 as part of a compromise that ended Reconstruction in the South. His influence was weakened by the circumstances of his election.



**James Garfield:** Republican president who was assassinated by Charles Guiteau, who was angry that he had not received a government job.



**Secondary Source: Lithograph**

An artists' rendition of the assassination of President Garfield by Charles Guiteau.

Vice-President **Chester Arthur** became the next leader. Although his political history was largely composed of appointments of friends, the tragedy that befell his predecessor led him to believe that the system had gone bad. He signed into law the **Pendleton Civil Service Act**, which opened many jobs to competitive exam rather than political connections. The Republican Party rewarded him by refusing his nomination for the Presidency in 1884.

One President impeached, one President drowning in corruption, one President elected by possible fraud, one President assassinated, and one disgraced by his own party for doing what he thought was right. Clearly, this was not a good time in Presidential history.

### POLITICAL CORRUPTION

This was an era of congressional supremacy. The Republican Party dominated the Presidency and the Congress for most of these years. Both houses of Congress were full of representatives owned by big business. That is to say, big business owners donated such large sums of money to the politicians that the people's elected leaders listened more carefully to their corporate supporters than to the voters themselves.

Laws regulating campaigns were minimal and big money bought a government that would not interfere. Similar conditions existed in the states. City governments were dominated by political machines. Members of a small network gained power and used the public treasury to stay in power — and grow fabulously rich in the process.

Becoming **mayor** of a big city in the Gilded Age was like walking into a cyclone. Demands swirled around city leaders. Better sewers, cleaner water, new bridges, more efficient transit, improved schools, and suitable aid to the sick and needy were some of the more common demands coming from a wide range of interest groups.



**Chester Arthur:** Vice-president who ascended to the presidency when James Garfield was assassinated. He signed the Pendleton Civil Service Act which limited the spoils system.



**Pendleton Civil Service Act:** 1883 law limiting the spoils system by requiring that many government employees pass an exam. This helped establish a group of professional government employees outside the influence of politics. It was passed after the assassination of president Garfield by a disgruntled job seeker.



**Mayor:** The elected chief executive of a city.

## 2 DOES MONEY MAKE YOU POWERFUL?

To cope with the city's problems, government officials had a limited resources and personnel. Democracy did not flourish in this environment. To bring order out of the chaos of the nation's cities, political bosses emerged who did not shrink from corrupt deals if they could increase their power bases. The people and institutions the bosses controlled were called the **political machine**.

Personal politics can at once seem simple and complex. To maintain power, a **boss** had to keep his constituents happy. Most political bosses appealed to the newest, most desperate part of the growing populace — the immigrants. Occasionally bosses would provide relief kitchens to receive votes. Individuals who were leaders in local neighborhoods were sometimes rewarded city jobs in return for the loyalty of their constituents.

Bosses knew they also had to placate big business, and did so by rewarding them with lucrative contracts for construction of factories or public works. These industries would then pump large sums into keeping the political machine in office. It seemed simple: "You scratch my back and I'll scratch yours." However, bringing diverse interests together in a city as large as New York, Philadelphia, or Chicago required hours of legwork and great political skill.

All the activities mentioned so far seem at least semi-legitimate. The problem was that many political machines broke their own laws to suit their purposes. As contracts were awarded to legal business entities, they were likewise awarded to illegal gambling and prostitution rings. Often profits from these unlawful enterprises lined the pockets of city officials. Public tax money and **bribes** from the business sector increased the bank accounts of these corrupt leaders.

**Voter fraud** was widespread. Political bosses arranged to have voter lists expanded to include many phony names. In one district, a four-year-old child was registered to vote. In another, a dog's name appeared on the polling lists. Members of the machine would "vote early and often," traveling from polling place to polling place to place illegal votes. One district in New York one time reported more votes than it had residents.

The most notorious political boss of the age was **William "Boss" Tweed** of New York's **Tammany Hall**. For twelve years, Tweed ruled New York. He gave generously to the poor and authorized the handouts of Christmas turkeys and winter coal to prospective supporters. In the process, he fleeced the public out of millions of taxpayer money, which went into the coffers of Tweed and his associates.

Attention was brought to Tweed's corruption by political cartoonist **Thomas Nast**. Nast's pictures were worth more than words as many illiterate and semi-literate New Yorkers were exposed to Tweed's graft. A zealous attorney named Samuel Tilden convicted Tweed and his rule came to an end in 1876. Mysteriously, Tweed escaped from prison and traveled to Spain,



**Political Machine:** A system set up in cities in which elected leaders buy or manipulate votes. They accepted bribes and stole government money. In exchange, they lavished favors on friends who protected and supported them. The most famous was Tammany Hall in New York City.



**Boss:** Leader of a political machine. The most famous was William Tweed of Tammany Hall in New York City.



**Bribe:** Money paid to a government official in exchange for a favor. For example, business leaders paid members of congress to pass or not pass certain legislation.



**Voter Fraud:** Any method of manipulating elections including, voting multiple times, voting in someone else's name, or purposefully not counting some votes.



**William "Boss" Tweed:** Famous boss of the Tammany Hall political machine.



**Tammany Hall:** Nickname for Boss Tweed's political machine in New York City.



**Thomas Nast:** Cartoonist whose drawings criticized Boss Tweed and the Tammany Hall political machine.

where he was spotted by someone who recognized his face from Nast's cartoons. He died in prison in 1878.

Not until the dawn of the 20th century would serious attempts be made to correct the abuses of Gilded Age government.



### Primary Source: Editorial Cartoon

In this cartoon, Boss Tweed is depicted guarding the ballot box. This is critical of the role he and political machines played in manipulating elections to their advantage.

### THE GOSPEL OF WEALTH

From these examples of graft in business and government, it would seem that men with wealth and positions of authority during the Gilded Age only thought of enriching themselves. However, this was not always the case. As mentioned earlier, many of the great industrialists of the era gave away huge sums of money. Steel magnate Andrew Carnegie is remembered for articulating this philosophy.

Carnegie put his ideas into print in 1889 in an article entitled "Wealth", or as it is more commonly known, "**The Gospel of Wealth**". In it, Carnegie describes the responsibility of the new upper class of self-made rich. He proposed that the best way of dealing with the new phenomenon of wealth inequality was for the wealthy to redistribute their surplus means in a responsible and thoughtful manner. Normally, wealthy families passed their fortunes down to the children, such as was the case in Europe. Carnegie



**The Gospel of Wealth:** Article by Andrew Carnegie. In it he argued that making money was noble but that wealthy people should give away their fortunes to the benefit of mankind.

## 2 DOES MONEY MAKE YOU POWERFUL?

disliked this idea arguing that dependents should be supported by their work, not with their parents' money.

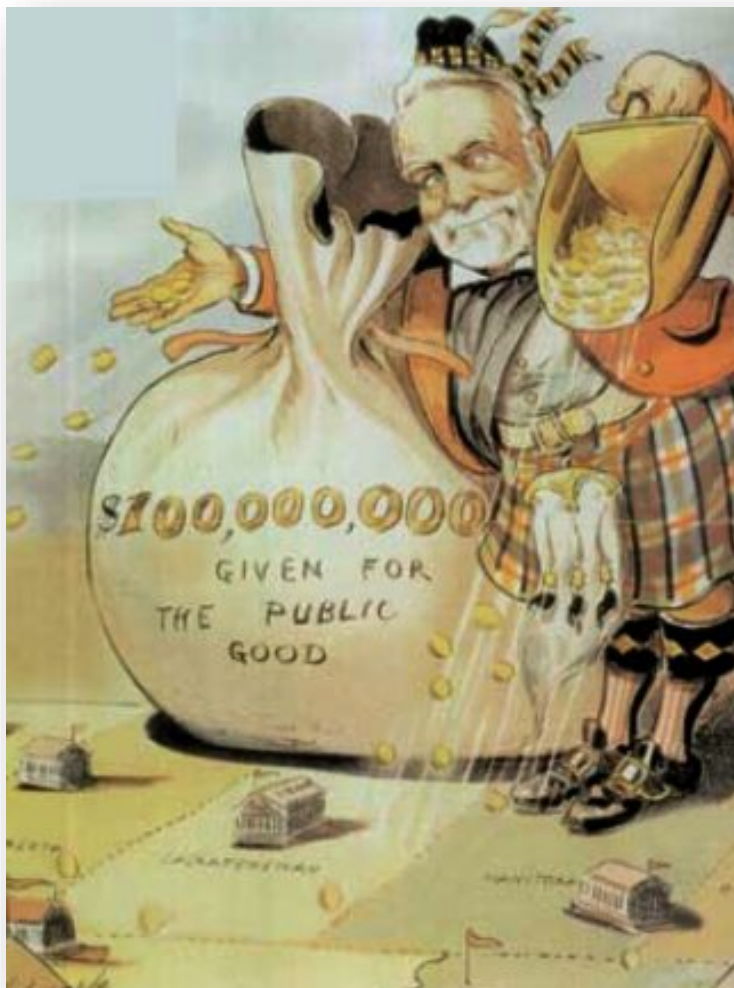
In *The Gospel of Wealth*, Carnegie asserted that hard work and perseverance lead to wealth, and made it clear that the duty of the rich was to live modest lifestyles. Carnegie argued that surplus wealth is put to best use when it is administered carefully by the wealthy. Carnegie also argued against wasteful use of capital in the form of extravagance, irresponsible spending, or self-indulgence, instead promoting the administration of money over the course of one's lifetime toward the cause of reducing the difference between the rich and poor.



Read the *Gospel of Wealth*

### Primary Source: Editorial Cartoon

In this cartoon, Carnegie is seen giving away his fortune to build libraries. It reflects the positive view of the industrialists as generous philanthropists.



Find Carnegie libraries around the world

Carnegie himself gave away his fortune building libraries across the nation. Some 2,509 libraries were built around the world with his money. In many towns, the main library is still known as the **Carnegie Library**. Carnegie-Mellon University and Carnegie Hall in New York City were also established with his financial support.



**Carnegie Library:** Name for libraries built with Andrew Carnegie's financial support. Some are still officially called by this name, such as in Pittsburg, Pennsylvania.



### CONCLUSION

The influence of money in politics is not a story that is restricted to the Gilded Age. Of course, people with money have advantages that the poor do not, and one of these advantages is the ability to use money to influence others.

Sometimes, business owners manipulated politicians. Sometimes they used money to buy votes and became politicians themselves. In cities, elected officials formed political machines and used their access to tax money to enrich themselves and be reelected.

At the same time, however, men like Andrew Carnegie used some of their financial power to benefit humanity through philanthropy.

As you will learn in later readings, the corruption that was rampant in the Gilded Age was outlawed when voters acted together to make change. Instead of a few individuals with access to money, the collective power of the common citizen won out. Some would argue that we are again in a time when the 1%, the few super-rich, are again making decisions and influencing politics.

Based on what you know of the Gilded Age, what do you think? Does money make you powerful?

### SUMMARY

The years after the Civil War saw a series of forgettable presidents who did not have much power relative to Congress. One thing government dealt with was corruption. The Pendleton Civil Service Act made many government jobs open to candidates based on competitive exams. This helped limit the spoils system of giving jobs as rewards for supporting political candidates.

This period was also a time of corruption in city governments. Big city mayors used their power to give jobs and contracts to friends. In exchange they bought votes, stayed in power, took bribes, and became rich. These political machines were common. The most famous was nicknamed Tammany Hall in New York.

Money was not always as source of corruption and evil. Andrew Carnegie's essay the Gospel of Wealth encouraged the wealthy to use their money to benefit humanity.



## KEY CONCEPTS

**Mayor:** The elected chief executive of a city.

**Political Machine:** A system set up in cities in which elected leaders buy or manipulate votes. They accepted bribes and stole government money. In exchange, they lavished favors on friends who protected and supported them. The most famous was Tammany Hall in New York City.

**Boss:** Leader of a political machine. The most famous was William Tweed of Tammany Hall in New York City.

**Bribe:** Money paid to a government official in exchange for a favor. For example, business leaders paid members of congress to pass or not pass certain legislation.

**Voter Fraud:** Any method of manipulating elections including, voting multiple times, voting in someone else's name, or purposefully not counting some votes.

**The Gospel of Wealth:** Article by Andrew Carnegie. In it he argued that making money was noble but that wealthy people should give away their fortunes to the benefit of mankind.

**Carnegie Library:** Name for libraries built with Andrew Carnegie's financial support. Some are still officially called by this name, such as in Pittsburg, Pennsylvania.



## LAWS

**Pendleton Civil Service Act:** 1883 law limiting the spoils system by requiring that many government employees pass an exam. This helped establish a group of professional government employees outside the influence of politics. It was passed after the assassination of President Garfield by a disgruntled job seeker.



## PEOPLE AND GROUPS

**Ulysses S. Grant:** General and hero of the Civil War who became president. Although honest, he was a poor politician. His administration was weakened by the Crédit Mobilier Scandal.

**Rutherford B. Hayes:** Republican President elected in 1877 as part of a compromise that ended Reconstruction in the South. His influence was weakened by the circumstances of his election.

**James Garfield:** Republican president who was assassinated by Charles Guiteau, who was angry that he had not received a government job.

**Chester Arthur:** Vice-president who ascended to the presidency when James Garfield was assassinated. He signed the Pendleton Civil Service Act which limited the spoils system.

**William "Boss" Tweed:** Famous boss of the Tammany Hall political machine.

**Tammany Hall:** Nickname for Boss Tweed's political machine in New York City.

**Thomas Nast:** Cartoonist whose drawings criticized Boss Tweed and the Tammany Hall political machine.



## EVENTS

**Crédit Mobilier Scandal:** Political scandal during Grant's presidency. His aids enriched themselves with the sale of public land.



# 3

## T H I R D Q U E S T I O N WHO SHOULD BE IN CHARGE, WORKERS OR OWNERS?

IS GREED  
GOOD?

### INTRODUCTION

Organized labor brought tremendous positive change to working Americans. Today, many workers enjoy higher wages, better hours, and safer working conditions. Employers often pay for medical coverage and several weeks' vacation.

These changes were hard-won. Jobs and lives were lost in the epic struggle for a fair share. The fight sprouted during the Gilded Age, when labor took its first steps toward unity.

But of course, when workers united, they took away some of the power of industrialists to control their own businesses. How can a captain of industry be the most successful possible if the workers are interfering by striking? This power sharing can be difficult, messy, and sometimes ends up hurting a business.

In a purely socialist society, workers are in total control. Those who do the work, share in the benefits. America has never tried such a system, but we know from the 20<sup>th</sup> century that it failed in other countries.

What do you think? Who should be in charge, workers or owners?

#### ORGANIZED LABOR

In the mid-19th century, the vast majority of American work was still done on the farm. By the turn of the 20th century, the United States economy revolved around the factory.

Most Americans living in the Gilded Age knew nothing of the life of millionaires such as Rockefeller, Carnegie and Morgan. They worked 10-hour shifts, 6 days a week, for wages barely enough to survive. Children as young as eight years old worked instead of attending school. Men and women worked until their bodies could stand no more, only to be released from employment without retirement benefits. Medical coverage did not exist. Women who became pregnant were often fired. Compensation for being hurt while on the job was zero.

Laborers realized that they needed to unite to demand change. Even though they lacked money, education, or political power, they knew one critical thing. There were simply more workers than there were owners.

**Unions** did not emerge overnight. Despite their legal right to exist, bosses often took extreme measures, including intimidation and violence, to prevent a union from taking hold. Workers, too, often chose the sword when peaceful measures failed.

Many Americans believed that a violent revolution would take place in America. How long would so many stand to be poor? Industrial titans including John Rockefeller arranged for mighty castles to be built as fortresses to stand against the upheaval they were sure was coming.

Slowly but surely unions did grow. Efforts to form nationwide organizations faced even greater difficulties. Federal troops were sometimes called to block their efforts. Judges almost always ruled in favor of the bosses.

Often, workers could not agree on common goals. Some flirted with extreme ideas like Marxism. Others simply wanted a nickel more per hour. Fights erupted over whether or not to admit women or African Americans into the ranks of union membership.

#### THE GREAT UPHEAVAL

It started with a 10% pay cut. When leaders of the Baltimore and Ohio Railroad Company ordered this second reduction in less than eight months, railroad workers in Martinsburg, West Virginia decided they had had enough. On July 16, 1877, workers in that town drove all the engines into the roundhouse and boldly declared that no train would leave until the owners restored their pay. The local townspeople gathered at the railyard to show their support for the strikers. A great showdown was on.

Strikes or other actions seen as disturbances are usually handled at the local level. The mayor of Martinsburg tried in vain to threaten the striking workers, but the crowd merely laughed and booed. The local police were far



**Union:** An organization of workers. They work together to negotiate for better pay, hours, working conditions, etc. Sometimes they organize strikes or other forms of protest.

### 3 WHO SHOULD BE IN CHARGE, WORKERS OR OWNERS?

too insubstantial to match the numbers of the rabble. In desperation, the mayor turned to the governor of West Virginia for support. The governor sent units of the National Guard to Martinsburg to accompany the trains out of town by force of arms. There was little support for the effort among the Guardsmen. The majority of them were railroad workers themselves. After two people were killed in the standoff, the Guard simply lay down their weapons and began chatting with members of the crowd.

Only when federal troops sent by President Hayes arrived did the trains leave the station. Even then they were sabotaged and harassed along their routes. Only one train reached its destination.



Primary Source: Print

An artist's depiction of the destruction of the railroad depot at Harpers Ferry, West Virginia during the Great Upheaval.

The Martinsburg Strike might have gone down in history as one of many small local strikes put down by force, but this time the strike spread. Soon other B&O units joined the Martinsburg strike. The movement spread into Pennsylvania, when workers on the Pennsylvania and Reading Railroads joined their compatriots. Pittsburgh is the gateway to the Midwest, and so the strike widened to that region.

The police, the National Guard, and the United States Army clashed with angry mobs throughout America. Throughout the land, wealthy individuals feared that the worst had finally come. A violent revolution seemed to be sweeping the nation.

But then it stopped. In some cases the strikes were ended by force. In others, the strikers simply gave up. After all, most workers were not trying to overthrow the government or the social order. They simply wanted higher wages and more time to spend with their families. The **Great Upheaval** was not the first strike in American History; it was the first mass strike to involve so many different workers separated by so much space.



**Great Upheaval:** Mass strike in 1877 that started in West Virginia but spread as many railroad workers went on strike.

### 3 WHO SHOULD BE IN CHARGE, WORKERS OR OWNERS?

What did this mean for America? From a distance, the strike seems to have failed. However, in many cases, workers did have their demands met. There is no telling how many future pay cuts were avoided because of fear of reprisal from the laborers.

The Great Upheaval was spontaneous. There was absolutely no advanced planning, showing how many rank and file workers had the same concerns about quality of life, as well as the same anger at those who controlled the wealth. More than 100,000 workers had gone on strike, shutting down nearly half of the nation's rail systems.

When the strike ended in the first week in August, over 100 people had been killed and a thousand more were imprisoned. Untold millions of dollars of damage was caused to rail lines, cars, and roundhouses. The fight was over, but America had not seen the last of the **mass strike**.



**Mass Strike:** A strike in which the workers in many locations stop work at the same time. One example was the Great Upheaval in 1877 when nearly all railroad operations in America stopped.

#### LABOR VS. MANAGEMENT

The battle lines were clearly drawn. People were either workers or bosses, and with that strong identity often came an equally strong dislike for those who were on the other side. As the number of self-employed Americans dwindled in the Gilded Age, workers began to feel strength in their numbers and were greater and greater demands of their bosses. When those demands were rejected, they plotted schemes to win their cases.

Those who managed factories developed strategies to counteract those of labor. At times the relationship between the camps was as intellectual and tense as a tough chess match. Other times it was as ugly as a schoolyard fight.

The most frequently employed technique of workers was the strike. Refusing to work would, in theory, force the company to suffer great enough financial losses that they would agree to worker terms. Strikes had been known in America since the colonial age, but their numbers grew larger in the Gilded Age.

Because of poor organization and government support for owners, 19th century strikes were not successful, so unions thought of other means. If the workers at a shoe factory could garner enough sympathy from the local townspeople, a **boycott** could achieve desirable results. The union would make its case to the town in the hope that no one would buy any shoes from the factory until the owners agreed to a pay raise. Boycotts could be successful in a small community where the factory was dependent upon the business of a group of people in close proximity



**Boycott:** When workers convince consumers to not purchase goods from a particular business. If it succeeds, the business owners capitulate to the workers' demands because of the fear of lost revenue.

In desperate times, workers would also resort to illegal means if necessary. For example, **sabotage** of factory equipment was not unknown. Occasionally, the foreman or the owner might even be the victims of worker-sponsored violence.



**Sabotage:** Purposeful destruction of property as a form of protest.



### 3 WHO SHOULD BE IN CHARGE, WORKERS OR OWNERS?

Owners had strategies of their own. If a company found itself with a high inventory, the boss might afford to enact a **lockout**, which is a reverse strike. In this case, the owner tells the employees not to bother showing up until they agree to a pay cut. Sometimes when a new worker was hired the employee was forced to sign a **yellow-dog contract**, or an ironclad oath swearing that the employee would never join a union.

Strikes could be countered in a variety of ways. The first measure was usually to hire strikebreakers, or **scabs**, to take the place of the regular labor force. Here things often turned violent. The crowded cities always seemed to have someone hopeless enough to cross the **picket line** during a strike. The striking workers often responded with fists, occasionally even leading to death.

Prior to the 20th century the government never sided with the union in a labor dispute. Bosses persuaded the courts to issue injunctions to declare strikes illegal. If the strike continued, the participants would be thrown in prison. When all these efforts failed to break a strike, the government at all levels would be willing to send a militia to regulate as in the case of the Great Upheaval.



- ✓ **Lockout:** When owners close the doors to their business and refuse to let workers in. It is a way of limiting the power of unions.
- ✓ **Yellow-Dog Contract:** An agreement a worker must sign when starting a job agreeing not to join a union.
- ✓ **Scab:** A replacement worker hired during a strike.
- ✓ **Picket Line:** The line made up of striking workers outside a business. Workers usually carry signs, chant, and try to prevent scabs from entering to take their jobs.

#### Primary Source: Drawing

An artist's rendition of the arrival of the National Guard to break the Homestead Strike.

What was at stake? Each side felt they were fighting literally for survival. The owners felt if they could not keep costs down to beat the competition, they would be forced to close the factory altogether. They said they could not meet the workers' unreasonable demands.

What were the employees demanding? In the entire history of labor strife, most goals of labor can be reduced to two overarching issues: higher wages and better working conditions. In the beginning, management would have the upper hand. But the sheer numbers of the American workforce was gaining momentum as the century neared its conclusion.

#### EARLY NATIONAL ORGANIZATIONS

Divide and conquer. That simple strategy gave the owners the advantage over labor until the dawn of the 20th century. Laborers did not all have the same goals. By favoring one group over another, the bosses could create internal dissent in any union. Unions were spread from town to town. Unity among them might make a more effective boycott or strike, but bringing diverse groups together across a large area was extremely difficult.

Owners were smart enough to circulate **blacklists**. These lists contained the names of any workers active in the union. If anyone on the list would show up in another town trying to get hired (or to start another union), the employers would refuse to give them a job. Still, the ratio of labor to management was so large that national organizations were inevitable. The first group to clear the hurdles was the National Labor Union.

By 1866, there were about 200,000 workers in local unions across the United States. William Sylvis seized the opportunity presented by these numbers and established the first nationwide labor organization, named the **National Labor Union**. Sylvis had very ambitious goals. Not only did the NLU fight for higher wages and shorter hours, Sylvis took labor activity into the political arena. The NLU supported legislation banning prison labor, land reform laws to keep public holdings out of the hands of speculators, and national currency reform to raise farm prices.

It brought together skilled and unskilled workers, as well as farmers. The National Labor Union stopped short of admitting African Americans. Racist tendencies of the times prevailed, despite the wisdom of bringing as many workers as possible into the fold. Unfortunately, for the NLU, it tried to represent too many different groups. Farmers had their own agenda, and skilled workers often had different realities than the unskilled. When the Panic of 1873 hit America, the union was severely disabled. Soon after, the National Labor Union withered away.

#### THE KNIGHTS OF LABOR

The **Knights of Labor** soon inherited the mantle of organized labor. Begun by Uriah Stephens as a secret society in 1869, the Knights admitted all wage earners into their ranks, including women and African Americans. The philosophy was simple: class was more important than race or gender. For such a group to influence the federal government, complete solidarity would be required.

The Knights supported the entire political agenda of the NLU and more. They advocated limits on immigration, restrictions on child labor, and government ownership of railroads, telegraphs, and telephones. At the height of its membership in 1886, the Knights boasted 750,000 workers. Then disaster struck.



**Blacklist:** A list of union leaders passed around among business owners. These men and women would not be hired because they might cause problems for the owners.



**National Labor Union:** Early national union formed in 1866. It failed because the organizers tried to include too many different workers who did not always agree on objectives or strategy.



**Knights of Labor:** Early successful union formed by Uriah Stephens. They admitted all wage earners including African Americans and women. They grew in popularity but weakened after the Haymarket Square incident in 1886.

### 3 WHO SHOULD BE IN CHARGE, WORKERS OR OWNERS?

On May 1, 1886, International Workers Day, local chapters of the Knights went on strike demanding an eight-hour day for all laborers. At a rally in **Haymarket Square** in Chicago on May 4, someone threw a bomb into the crowd. One police officer died and several crowd members sustained injuries.

It was impossible to be sure who was responsible, but the American press, government, and general public blamed the Knights of Labor. Leader Terence Powderly condemned the bombing to no avail. Americans associated labor activity with anarchists and mob violence. Membership began to fall. Soon the Knights were merely a shadow of their former size. But labor leaders had learned some valuable lessons. The next national organization of workers would endure.



#### Haymarket Square Incident:

Sometimes called a riot, it was a labor rally in Chicago in 1886 in which a bomb exploded killing a police officer and injuring many others. Labor leaders were blamed for the violence and it led to reduced public support for unions, and especially for the Knights of Labor.

#### Primary Source: Drawing

An artist's rendition of the explosion at Haymarket Square in Chicago, Illinois on May 4, 1886. One police officer was killed. The violence turned many Americans against the labor movement and limited support for the Knights of Labor.

#### AMERICAN FEDERATION OF LABOR

Keep it simple. That was the mantra of labor leader **Samuel Gompers**. He was a diehard capitalist and saw no need for a radical restructuring of America. Gompers learned that the issues that workers cared about most deeply were personal. They wanted higher wages and better working conditions. These **bread and butter issues** would always unite the labor class. By keeping it simple, unions could avoid the pitfalls that had drawn the life from the National Labor Union and the Knights of Labor.

In December of 1886, the same year the Knights of Labor was dealt its fatal blow at Haymarket Square, Gompers met with the leaders of other craft unions to form the **American Federation of Labor**. The AFL was a loose grouping of smaller craft unions, such as the masons' union, the hat makers' union or Gompers's own cigar makers' union. Every member of the AFL was therefore a skilled worker.



**Samuel Gompers:** Founder of the American Federation of Labor



**Bread and Butter Issues:** Nickname for the basic concerns of works such as better pay, fewer working hours, and safety. In contrast to larger concerns such as racial or gender equality.



**American Federation of Labor:** Labor union founded by Samuel Gompers in 1886. It was formed by joining smaller unions of skilled workers.

### 3 WHO SHOULD BE IN CHARGE, WORKERS OR OWNERS?

Gompers had no visions of uniting the entire working class. Tradespeople were in greater demand and already earned higher wages than their unskilled counterparts. Gompers knew that the AFL would have more political and economic power if unskilled workers were excluded. He served as president of the union every year except one until his death in 1924.

Although conservative in nature, Gompers was not afraid to call for a strike or a boycott. The larger AFL could be used to support these actions, as well as provide relief for members engaged in a work stoppage. By refusing to pursue a radical program for political change, Gompers maintained the support of the American government and public. By 1900, the ranks of the AFL swelled to over 500,000 tradespeople. Gompers was seen as the unofficial leader of the labor world in America.

Simplicity worked. Although the bosses still had the upper hand with the government, unions were growing in size and status. There were over 20,000 strikes in America in the last two decades of the 19th century. Workers lost about half, but in many cases their demands were completely or partially met. The AFL served as the preeminent national labor organization until the Great Depression when unskilled workers finally came together. Smart leadership, patience, and realistic goals made life better for the hundreds of thousands of working Americans it served.



Primary Source: Drawing

An artist's rendition of the violent clash between the National Guard and striking Pullman Car Company workers.

#### EUGENE V. DEBS AND AMERICAN SOCIALISM

Despite the success of the American Federation of Labor, American radicalism was not dead. The number of those who felt the American capitalist system was fundamentally flawed was in fact growing fast.

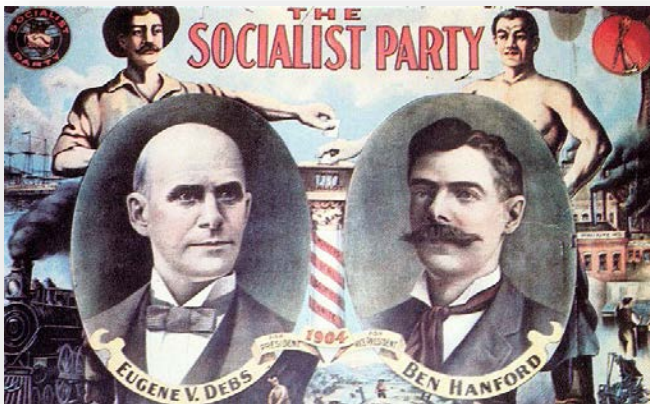
American **socialists** based their beliefs on the writings of Karl Marx, the German philosopher. Many asked why so many working Americans should

### 3 WHO SHOULD BE IN CHARGE, WORKERS OR OWNERS?

have so little while a few owners grew incredibly wealthy. No wealth could exist without the sweat and blood of its workforce. They suggested that the government should own all industries and divide the profits among those who actually created the products. While the current management class would stand to lose, many more people would gain. These radicals grew in number as industries spread. But their enemies were legion.

**Eugene Debs** was born in Terre Haute, Indiana in 1855 to a family of French immigrants. Making his way in the railroad industry, Debs formed the American Railway Union in 1892.

Two years later he found himself leading one of the largest strikes in American history, the great **Pullman Strike**. When its workers refused to accept a pay cut, The Pullman Car Company fired 5,000 employees. To show support, Debs called for the members of the American Railway Union to refrain from operating any trains that used Pullman cars. When the strike was declared illegal by a court injunction, chaos erupted. President Cleveland ordered federal troops to quell the strikers and Debs was arrested. Order was restored and the strike failed.



Debs was not originally a socialist, but his experience with the Pullman Strike and his subsequent six-month jail term led him to believe that drastic action was necessary. Debs chose to confine his activity to the political arena. In 1900 he ran for President as a socialist and garnered some 87,000 votes.

The following year, leading sympathizers joined with him to form the **Socialist Party**. At its height, the party numbered over 100,000 active members. Debs ran for President four more times. In the election of 1912 he received over 900,000 votes. After being arrested for antiwar activities during World War I, he ran for President from his jail cell and polled 919,000 votes. Debs died in 1926 having never won an election, but over one thousand Socialist Party members were elected to state and city governments.



**Socialist:** A follower of Karl Marx. They believed that workers should share the financial rewards of their labor and companies should be owned collectively.



**Eugene Debs:** Socialist union leader. He led the Pullman strike and ran unsuccessfully for president as a Socialist Party candidate.



**Pullman Strike:** Strike by workers at the Pullman Car Company (which built railway cars) in 1894. It turned violent and failed when the government ordered federal troops to end the strike.

**Primary Source: Campaign Poster**

1904 poster celebrating Socialist Party candidate Eugene Debs.





**Socialist Party:** Small political party in America that was popular for a short time in the late 1800s. Eugene Debs led the party and ran for president as its candidate.

THE WOBBLIES

Even more radical than the Socialists were the members of the **Industrial Workers of the World**. This union believed that compromise with owners was no solution. Founded in 1905 and led by **William “Big Bill” Haywood**, the Wobblies as they were called, encouraged their members to fight for justice directly against their employers. Although small in number, they led hundreds of strikes across America, calling for the overthrow of the capitalist system. The IWW won few battles, but their efforts sent a strong message across America that workers were being mistreated.

When the United States entered World War I, the Wobblies launched an active antiwar movement. Many were arrested or beaten. One unlucky member in Oregon was tied to the front end of an automobile with his knees touching the ground and driven until his flesh was torn to the bone. Membership declined after the war, but for two decades the IWW was the anchor of radical American activism.

 **Industrial Workers of the World:** Socialist political party led by Big Bill Haywood. Nicknamed the Wobblies, they advocated violent overthrow of the government and capitalist system.

 **William “Big Bill” Haywood:** Founder and leader of the International Workers of the World.

Primary Source: Editorial Cartoon

A cartoon critical of the IWW and destroyers of America.



#### THEODORE ROOSEVELT

Workers rarely found a helping hand in the White House. President Hayes ordered the army to break the Great Railroad Strike of 1877. President Cleveland ordered federal troops to disrupt the Pullman Strike of 1894. Governors and mayors used the National Guard and police to confront workers on strike.

When Pennsylvania coal miners went on strike in 1902, there was no reason to believe anything had changed. But this time things were different. Teddy Roosevelt was in the White House.

John Mitchell, president of the United Mine Workers, represented the miners. He was soft-spoken, yet determined. Many compared his manner to Abraham Lincoln's. In the spring of 1902, Mitchell placed a demand on the coal operators for better wages, shorter hours, and recognition of the union. The owners, led by George Baer, flatly refused. On May 12, 1902, 140,000 miners walked off the job, and the strike was on.

Mitchell worked diligently behind the scenes to negotiate with Baer, but his efforts were rejected. According to Baer, there would be no compromise. Even luminaries such Mark Hanna and J.P. Morgan prevailed in vain on the owners to open talks. As the days passed, the workers began to feel the pinch of the strike, and violence began to erupt.

As summer melted into fall, and President Roosevelt wondered what the angry workers and a colder public would do if the strike lasted into the bitter days of winter. He decided to lend a hand in settling the strike.

No President had ever tried to negotiate a strike settlement before. Roosevelt invited Mitchell and Baer to the White House on October 3 to hammer out a compromise. Mitchell proposed to submit to an arbitration commission. In **arbitration**, all sides presented their arguments to an outside person, the arbitrator, and then agree to abide by the arbitrator's decision. Baer resented the summons by the President to meet a "common criminal" like Mitchell, and refused any sort of concession.

Roosevelt despaired that the violence would increase and spiral dangerously toward a class-based civil war. After the mine operators left Washington, he vowed to end the strike. He was impressed by Mitchell's gentlemanly demeanor and irritated by Baer's insolence. Roosevelt remarked that if he weren't president, he would have thrown Baer out of a White House window.

He summoned Secretary of War Elihu Root, and ordered him to prepare the army. This time, however, the army would not be used against the strikers. The coal operators were informed that if no settlement were reached, the army would seize the mines and make coal available to the public. Roosevelt did not seem to mind that he had no constitutional authority to do any such thing.



**Arbitration:** A way of solving disputes in which both sides agree to abide by the decision of an outside, non-biased party.

### 3 WHO SHOULD BE IN CHARGE, WORKERS OR OWNERS?

J.P. Morgan finally convinced Baer and the other owners to submit the dispute to a commission. On October 15, the strike ended. The following March, a decision was reached by the mediators. The miners were awarded a 10 percent pay increase, and their workday was reduced to eight or nine hours. In exchange, the owners were not forced to recognize the United Mine Workers.

Workers across America cheered Roosevelt for standing up to the mine operators. It surely seemed like the White House would lend a helping hand to the labor movement.

#### **CONCLUSION**

Owners held the upper hand that the start of the Gilded Age, but as they grew in number, workers began to form unions and fought for more control over their pay and working conditions. In the beginning, government usually supported the owners, but by the 1900s, politicians viewed themselves as arbitrators, trying to help the two sides come to agreement.

There were other options. Men like Eugene Debs wanted to eliminate owners entirely and give all the profits to the workers. These socialists never won enough support to put their ideas into practice in America, but they offered an alternative.

What do you think? Who should be in charge, workers or owners?



#### SUMMARY

The period after the Civil War saw a growth of labor unions. The Great Upheaval of 1877 was the nation's first mass strike as workers in the railroad industry started a strike that spread and was supported by striking workers across the nation.

Labor unions used boycotts and strikes to stop work and try to force owners to meet their demands. Owners locked out workers and hired scabs to break strikes. Most strikes in the late 1800s went badly for workers. A large number of immigrants were willing to work for low wages and take the place of striking workers. Government usually supported owners and the police and army broke strikes at Carnegie's steel plant in Pittsburg and a strike at the Pullman railroad car factory in Chicago.

The first major union was the Knights of Labor. They lost support after the Haymarket Square Riot.

A new union grew as the Knights of Labor fell out of favor. The American Federation of Labor was led by Samuel Gompers and focused on basic issues like wages and working conditions instead of political reform. The AFL was a composite of many smaller craft unions, so they did not represent unskilled workers.

Eugene Debs led the American Socialist Party. This group wanted to change America's system of government. They wanted to take leadership of the nation's industries away from the rich. Although they were popular with workers, they never gained the support of more than a small percentage of all Americans.

A more extreme group were the Industrial Workers of the World. They wanted a violent revolution to take power away from the wealthy and overthrow the government. Although Americans rejected these ideas, they eventually caught on in Russia and led to the Communist Revolution there in 1917.



## KEY CONCEPTS

**Union:** An organization of workers. They work together to negotiate for better pay, hours, working conditions, etc. Sometimes they organize strikes or other forms of protest.

**Mass Strike:** A strike in which the workers in many locations stop work at the same time. One example was the Great Upheaval in 1877 when nearly all railroad operations in America stopped.

**Boycott:** When workers convince consumers to not purchase goods from a particular business. If it succeeds, the business owners capitulate to the workers' demands because of the fear of lost revenue.

**Sabotage:** Purposeful destruction of property as a form of protest.

**Lockout:** When owners close the doors to their business and refuse to let workers in. It is a way of limiting the power of unions.

**Yellow-Dog Contract:** An agreement a worker must sign when starting a job agreeing not to join a union.

**Scab:** A replacement worker hired during a strike.

**Picket Line:** The line made up of striking workers outside a business. Workers usually carry signs, chant, and try to prevent scabs from entering to take their jobs.

**Blacklist:** A list of union leaders passed around among business owners. These men and women would not be hired because they might cause problems for the owners.

**Bread and Butter Issues:** Nickname for the basic concerns of workers such as better pay, fewer working hours, and safety. In contrast to larger concerns such as racial or gender equality.

**Socialist:** A follower of Karl Marx. They believed that workers should share the financial rewards of their labor and companies should be owned collectively.

**Arbitration:** A way of solving disputes in which both sides agree to abide by the decision of an outside, non-biased party.



## PEOPLE AND GROUPS

**National Labor Union:** Early national union formed in 1866. It failed because the organizers tried to include too many different workers who did not always agree on objectives or strategy.

**Knights of Labor:** Early successful union formed by Uriah Stephens. They admitted all wage earners including African Americans and women. They grew in popularity but weakened after the Haymarket Square incident in 1886.

**Samuel Gompers:** Founder of the American Federation of Labor

**American Federation of Labor:** Labor union founded by Samuel Gompers in 1886. It was formed by joining smaller unions of skilled workers.

**Eugene Debs:** Socialist union leader. He led the Pullman strike and ran unsuccessfully for president as a Socialist Party candidate.

**Socialist Party:** Small political party in America that was popular for a short time in the late 1800s. Eugene Debs led the party and ran for president as its candidate.

**Industrial Workers of the World:** Socialist political party led by Big Bill Haywood. Nicknamed the Wobblies, they advocated violent overthrow of the government and capitalist system.

**William "Big Bill" Haywood:** Founder and leader of the International Workers of the World.



## EVENTS

**Great Upheaval:** Mass strike in 1877 that started in West Virginia but spread as many railroad workers went on strike.

**Haymarket Square Incident:** Sometimes called a riot, it was a labor rally in Chicago in 1886 in which a bomb exploded killing a police officer and injuring many others. Labor leaders were blamed for the violence and it led to reduced public support for unions, and especially for the Knights of Labor.

**Pullman Strike:** Strike by workers at the Pullman Car Company (which built railway cars) in 1894. It turned violent and failed when the government ordered federal troops to end the strike.

# 4

## F O U R T H Q U E S T I O N HOW SHOULD GOVERNMENT BALANCE THE POWER OF THE SOCIAL CLASSES?

IS GREED  
GOOD?

### INTRODUCTION

The politics of the first few years of our nation's history were dominated by heroic presidents – Washington, Adams, Jefferson. And as the years went on, other dynamic men had a tremendous effect on America – Jackson, Polk, Lincoln.

Then, after the Civil War, power moved to the Capitol Building and Congress set the nation's agenda. As the industrial revolution transformed American cities and the lives of workers, the White House did little to guide reform or protect Americans from corruption and mistreatment.

That changed in 1901 when Theodore Roosevelt stepped into the Oval Office. He used his position to promote an active government that protected the interests of the people over big business. The Progressive movement finally had an ally in the White House. The Progressive lock on the Presidency did not end with Theodore Roosevelt. His popularity secured the election in 1908 of his handpicked successor, William Howard Taft, and in 1912, a Democrat, Woodrow Wilson was elected, but he too embraced much of the Progressive agenda.

The two halves of the Gilded Age give us window into the role government has to play in balancing the interests of workers and owners. Before Roosevelt's presidency, government pursued policies that favored business, and business boomed. Once the Progressives moved into the White House, laws were passed that protected workers, and the wild growth slowed.

What do you think? How should government balance the power of the social classes?

### PROGRESSIVES IN THE WHITE HOUSE

Theodore Roosevelt was born in 1858 to a wealthy New York banker and the daughter of a prosperous Georgia planter. He was anything but the model physical specimen. His eyesight was poor. He wore thick glasses his entire life. As a child he was small and weak. He suffered from acute asthma, which contributed to his frailty.

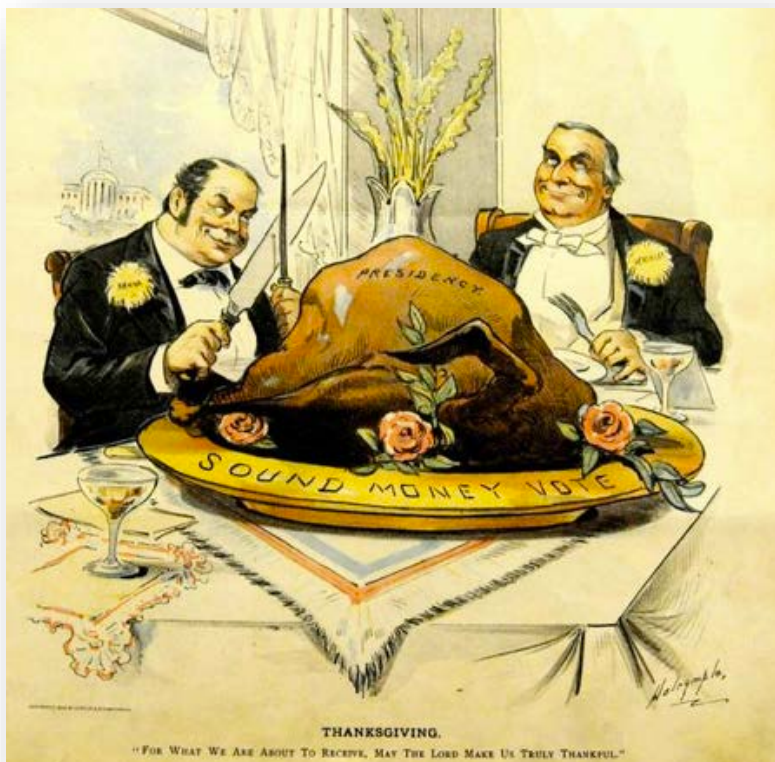
Taking his father's advice, he dedicated himself to physical fitness, without which he believed there could be no mental fitness. His hard work paid off, and as he entered Harvard with a muscular frame, his condition bothered him less and less.

He met Alice Hathaway Lee. Although he believed her to be the most unobtainable woman around, he was determined to marry her. Again, he was successful, but his life with Alice was short-lived. In 1884, four years after his graduation, Alice delivered a daughter. Owing to complications, she died in childbirth on the very same day as the death of Roosevelt's mother.

Devastated, he withdrew to North Dakota Territory, but could not live without the New York pace for long. Returning to New York in 1886, Roosevelt remarried and dedicated his life to public service.

#### Primary Source: Editorial Cartoon


In this cartoon, President McKinley (right) and his advisor Mark Hanna are seen carving up the benefits of power. It depicts Hanna as equal in power to the president.



Theodore Roosevelt was never supposed to be President. Many in the Republican Party leadership saw him as a reckless cowboy, especially Senator **Mark Hanna**, President McKinley's campaign manager. As his popularity soared, he became more and more of a threat. His success with the Rough Riders in Cuba made him a war hero in the eyes of many Americans. Riding this wave, he was elected governor of New York.

During the campaign of 1900, Hanna decided that nominating Roosevelt for the Vice-Presidency would serve two purposes. First, his popularity would surely help President McKinley's reelection bid. Second, moving him to the Vice-Presidency might decrease his power, since the Constitution gives very little authority to the vice-president.



 **Mark Hanna:** President McKinley's campaign manager who disliked Theodore Roosevelt and arranged for his selection as McKinley running mate.

**Primary Source: Photograph**

Teddy Roosevelt during his time as governor of New York. This well-known photograph captures Roosevelt's zeal and charismatic personality.

Vice-Presidents had gone on to the White House only if the sitting President died in office. The last Vice-President elected in his own right had been Martin Van Buren in 1837. Many conservative Republicans believed Roosevelt could do less harm as vice-president than as governor of New York.

McKinley and Roosevelt won the election, and all was proceeding according to plan until an assassin's bullet ended McKinley's life in September 1901.

There had never been a President like him. At only 42-years-old, Roosevelt was the youngest president ever. His energy was contagious, and the whole country was electrified by their new leader.

Soon it was clear that a new type of President was in town. Since Lincoln's death in 1865, Congress seemed to be running the government, and big business seemed to be running Congress. Philosophically, Roosevelt was outraged by these realities. Although he himself hailed from the wealthy classes, he strongly believed that no individual, no matter how rich and powerful, should control the people's representatives.

Furthermore, Roosevelt was convinced that if abuse of workers continued to go unchecked, a violent revolution would sweep the nation. An outspoken foe of socialism, Roosevelt believed that capitalism would be preserved with a little restraint and common sense. Within months he began to wield his newfound power.

Roosevelt changed the office in other important ways. He never went anywhere without his photographer. He wanted Americans to see a rough and tumble leader who was unafraid to get his hands dirty. He became the first President to travel out of the country while in office and the first to win the Nobel Prize.

Unlike his quieter predecessors, Roosevelt knew that if the Washington politicians resisted change, he would have to take his case to the people directly. He traveled often and spoke with confidence and enthusiasm. Americans received him warmly.

The country was thirsting for leadership and Roosevelt became a political and popular hero. Merchandise was sold in his likeness, paintings and lithographs created in his honor, and even a film was produced portraying him as a fairytale hero. The White House was finally back in business.

### THE TRUST BUSTER


Teddy Roosevelt was one American who believed a revolution was coming. He believed Wall Street fanciers and powerful trust titans to be acting foolishly. While they were eating off fancy china on mahogany tables in marble dining rooms, the masses were roughing it. There seemed to be no limit to greed. If docking wages would increase profits, it was done. If higher railroad rates put more gold in their coffers, it was done. How much was enough, Roosevelt wondered?

Although he himself was a man of means, he criticized the wealthy class of Americans on two counts. First, continued exploitation of the public could result in a violent uprising that could destroy the whole system. Second, the captains of industry were arrogant enough to believe themselves superior to

the elected government. Now that he was President, Roosevelt went on the attack.

The President's weapon was the **Sherman Anti-Trust Act**, passed by Congress in 1890. This law declared illegal all combinations "in restraint of trade." For the first twelve years of its existence, the Sherman Act was a paper tiger. United States courts routinely sided with business when any enforcement of the Act was attempted.

For example, the American Sugar Refining Company controlled 98% of the sugar industry. Despite this virtual monopoly, the Supreme Court refused to dissolve the corporation in an 1895 ruling. The only time an organization was deemed in restraint of trade was when the court ruled against a labor union.

 **Sherman Anti-Trust Act:** 1890 law banning business combinations "in restraint of trade." Often used against unions, Theodore Roosevelt used it to take monopolies to court, giving him the nickname "Trustbuster."

**Primary Source: Editorial Cartoon**

President Roosevelt is seen here controlling the trusts, deciding between good trusts and bad. The use of bears is significant. A widely circulated story about Roosevelt is that he was on a hunting trip. When he was given the opportunity to shoot a captive bear he refused. Since that time, stuffed toy bears are known as Teddy Bears.



Roosevelt knew that no new legislation was necessary. When he sensed that he had a sympathetic Court, he sprang into action. The first trust giant to fall victim to Roosevelt's assault was none other than the most powerful industrialist in the country, J. Pierpont Morgan.

Morgan controlled a railroad company known as Northern Securities. In combination with railroad moguls James J. Hill and E. H. Harriman, Morgan controlled the bulk of railroad shipping across the northern United States.

Morgan was enjoying a peaceful dinner at his New York home on February 19, 1902, when his telephone rang. He was furious to learn that Roosevelt's Attorney General was bringing suit against the Northern Securities Company. Stunned, he muttered to his equally shocked dinner guests about how rude it was to file such a suit without warning.

Four days later, Morgan was at the White House with the President. Morgan bellowed that he was being treated like a common criminal. The President informed Morgan that no compromise could be reached, and the matter would be settled by the courts. Morgan inquired if his other interests were at risk, too. Roosevelt told him only the ones that had done anything wrong would be prosecuted.

This was the core of Theodore Roosevelt's leadership. He boiled everything down to a case of right versus wrong and good versus bad. If a trust controlled an entire industry but provided good service at reasonable rates, it was a "good" trust to be left alone. Only the "bad" trusts that jacked up rates and exploited consumers would come under attack. Who would decide the difference between right and wrong? The occupant of the White House trusted only himself to make this decision in the interests of the people.

The American public cheered Roosevelt's new offensive. The Supreme Court, in a narrow 5 to 4 decision, agreed and dissolved the Northern Securities Company. Roosevelt said confidently that no man, no matter how powerful, was above the law. As he landed blows on other "bad" trusts, his popularity grew and grew. He gained the nickname, the "**Trust Buster**."

### PASSING THE TORCH

1908 was not a good year for Teddy Roosevelt. The nation was recovering from a financial panic that had rocked Wall Street the previous year. Many leading industrialists unjustly blamed the crisis on the President. The Congress that he had finessed in his early term was now dominated by conservative Republicans who took joy at blocking the President's initiatives. Now his time in the White House was coming to a close.

He had promised not to seek a third term when he was elected in 1904. No prior President had ever broken the two-term tradition. Roosevelt would keep his word.

He decided that if he could no longer serve as President, the next best option was to name a successor that would carry out his programs. He found the perfect candidate in **William Howard Taft**.

Taft and Roosevelt were best friends. When Roosevelt was sworn in as chief executive, Taft was serving as governor of the Philippines. Roosevelt offered his friend a seat on the Supreme Court, but his work in the Philippines and



**Trust Buster:** Nickname for President Theodore Roosevelt, referring to the numerous lawsuits he filed against monopolies using the Sherman Anti-Trust Act.

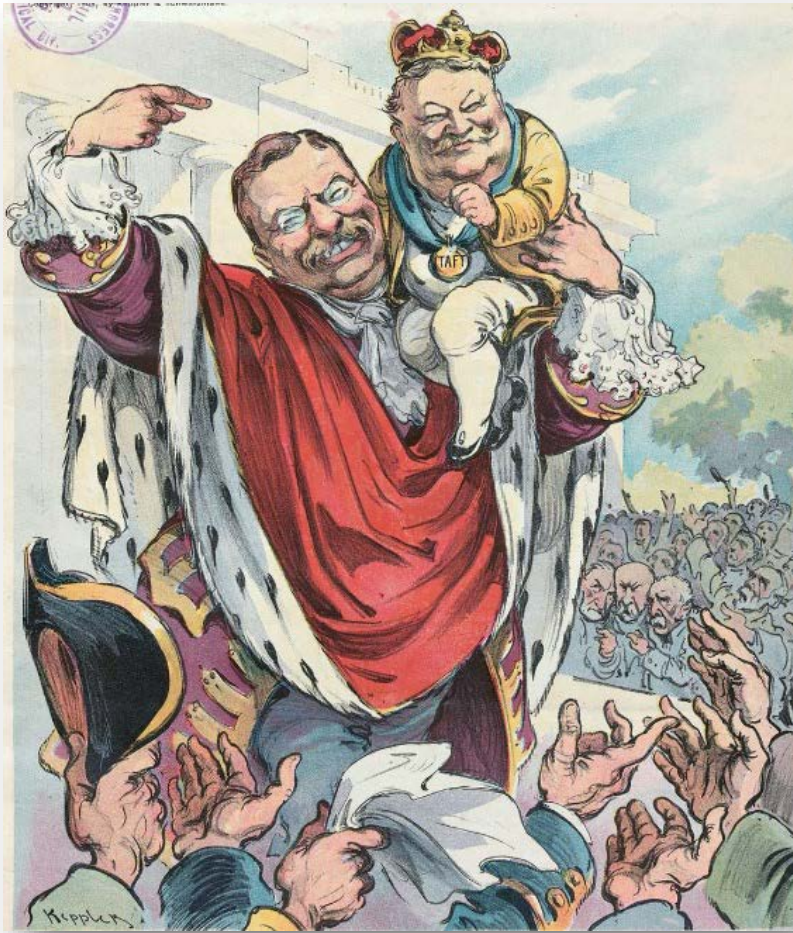


**William Howard Taft:** Republican president who succeeded Roosevelt. He had previously served as Governor of the Philippines. His presidency did not go well and he lost his bid for reelection after Roosevelt ran as an independent. He later served as Chief Justice of the Supreme Court.



the ambitions of Mrs. Taft propelled him to decline. In 1904, he became Secretary of War and his friendship with Roosevelt grew stronger.

By 1908, Roosevelt was convinced that Taft would be the ideal successor. His support steamrolled Taft to the Republican nomination, and the fall election against William Jennings Bryan proved to be a landslide victory.



### Primary Source: Editorial Cartoon

In this cartoon, President Roosevelt is holding his successor, William Howard Taft. Roosevelt's support for his friend helped secure his nomination from the Republican Party and his success in the general election.

Upon leaving the White House, Roosevelt embarked on a worldwide tour, including an African safari and a sojourn through Europe. Taft was left to make his own mark on America.

But he lacked the political skill of his predecessor to keep both the progressive and conservative wings of his party happy. He ended up alienating both sides.

The defining moment came with the Payne-Aldrich Tariff. Progressives hated the measure, which raised rates, and conservatives lauded it. Taft signed the bill, and his progressive supporters were furious.

The rupture widened with the Ballinger-Pinchot controversy. Richard Ballinger was Taft's Secretary of the Interior. His appointment shocked Gifford Pinchot, the nation's chief forester and longtime companion of Theodore Roosevelt. Pinchot rightly saw that Ballinger was no friend to Roosevelt's conservation initiatives. When Pinchot publicly criticized Ballinger, Taft fired Pinchot, and progressives were again outraged. The two wings of the party were now firmly on a collision course.

Despite criticism from progressive Republicans, Taft did support many of their goals. He broke twice as many trusts in his one term as Roosevelt had broken in his two. Taft limited the workday of federal employees to 8 hours and supported the 16th Amendment to the Constitution, which empowered the Congress to levy a federal income tax. He created a Children's Bureau and supported the 17th Amendment, which allowed for senators to be directly elected by the people instead of the state legislatures.

Still, when Roosevelt returned to America, progressives pressed him to challenge Taft for the party leadership. As 1912 approached, the fight was on.

### THE ELECTION OF 1912

Politics can sometimes turn the best of friends into the worst of enemies. Such was the fate for the relationship between Theodore Roosevelt and William Howard Taft.

Roosevelt's decision to challenge Taft for the Republican nomination in 1912 was most difficult. Historians disagree on his motives. Defenders of Roosevelt insist that Taft betrayed the progressive platform. When Roosevelt returned to the United States, he was pressured by thousands of progressives to lead them once more. Roosevelt believed that he could do a better job uniting the party than Taft. He felt a duty to the American people to run.

When progressive members of the Republican Party accused the conservatives at the party convention in Chicago of tampering with the vote, they convened in Chicago's Orchestra Hall, and formed the National Progressive Party. Later that summer, they nominated Roosevelt. Questioned by reporters, Roosevelt said he felt as strong as a "bull moose," giving the party the nickname the, **Bull Moose Party**.

Critics of Roosevelt are not quite so kind. Roosevelt had a huge ego, and his lust for power could not keep him on the sidelines. He stabbed his friend in the back and overlooked the positive sides of Taft's Presidency. Whatever the motive, the **election of 1912** would begin with two prominent Republican candidates.



**Bull Moose Party:** Nickname for the independent party that nominated former president Roosevelt in 1912 after he lost his bid for the Republican nomination.



**Election of 1912:** Presidential election in which Republican president Taft lost his bid for reelection when Roosevelt ran as an independent. Due to the split in the Republican Party, Democrat Woodrow Wilson won the presidency.

**Primary Source: Editorial Cartoon**

In this cartoon, President Taft is shown struggling to control the many problems that plagued his presidency. Meanwhile, a critical former president Roosevelt looks in disapprovingly, foreshadowing the contentious 1912 election.


The two former friends hurled insults at each other as the summer of 1912 drew near. Taft had the party leadership behind him, but Roosevelt had the people. Roosevelt spoke of a New Nationalism, a broad plan of social reform for America.


Rather than destroying every trust, Roosevelt supported the creation of a Federal Trade Commission to keep a watchful eye on unfair business practices. He proposed a minimum wage, a workers' compensation act, and a child labor law. He proposed a government pension for retirees and funds to assist Americans with health care costs. He supported the women's suffrage amendment. The time of laissez faire was over. The government must intervene to help its people Roosevelt and his progressive followers argued. Taft and his supporters disagreed, and the battle was left for the voters to decide.

**WOODROW WILSON'S NEW FREEDOM**

Progressives did not come only in the Republican flavor. Thomas **Woodrow Wilson** also saw the need for change. Born in Staunton, Virginia, Wilson served as president of Princeton University and governor of New Jersey. He combined a southern background with northern sensibilities.

His 1912 platform for change was called the **New Freedom**. Wilson was an admirer of Thomas Jefferson. The agrarian utopia of small, educated farmers envisioned by Jefferson struck a chord with Wilson. Of course, the advent of industry could not be denied, but a nation of small farmers and small businesspeople seemed entirely possible. The New Freedom sought to achieve this vision by attacking what Wilson called the triple wall of privilege: the tariff, the banks, and the trusts.

 **Woodrow Wilson:** Democratic president from New Jersey. He was president of Princeton University and governor of New Jersey. He defeated Roosevelt and Taft to win the presidency in 1912 and was president during World War One.


 **New Freedom:** President Wilson's campaign promise. He wanted to reduce tariffs and limit the power of banks and trusts.


Tariffs protected the large industrialists at the expense of small farmers. Wilson signed the Underwood-Simmons Act into law in 1913, which reduced tariff rates. The banking system also pinched small farmers and entrepreneurs. The gold standard still made currency too tight, and loans were too expensive for the average American. Wilson signed the **Federal Reserve Act**, which made the nation's currency more flexible.

Unlike Roosevelt, Wilson did not distinguish between "good" trusts and "bad" trusts. Any trust by virtue of its large size was bad in Wilson's eyes. The **Clayton Antitrust Act** of 1914 clarified the Sherman Act by specifically naming certain business tactics illegal. This same act also exempted labor unions from antitrust suits, and declared strikes, boycotts, and peaceful picketing legal. No longer could business owners use antitrust legislation against their workers.

In two years, he successfully attacked each wall of privilege. Now his eyes turned to greater concerns, particularly the outbreak of the First World War in Europe.



 **Federal Reserve:** Government organization charged with maintaining a steady overall economy. They control the amount of money printed and in circulation. They also control the interest rates banks pay to borrow money.

 **Clayton Antitrust Act:** 1914 law that clarified the Sherman Ant-Trust Act. It was used by president Wilson to continue antitrust court battles.

**Primary Source: Photograph**

Woodrow Wilson during the 1912 election campaign. His academic appearance matched his idealistic personality.

### APPEASING THE BULL MOOSE

When Wilson's first term expired, he felt he had to do more. The nation was on the brink of entering the First World War, bloodiest conflict in human history, and Wilson had definite ideas about how the postwar peace should look. But he would have to survive reelection first.

As an appeal to the Roosevelt progressives, he began to sign many legislative measures suggested by the Bull Moose campaign. He approved of the creation of a **Federal Trade Commission** to act as a watchdog over business. A child labor bill and a workers' compensation act became law. Wilson agreed to limit the workday of interstate railroad workers to 8 hours. He signed a Federal Farm Loan Act to ease the pains of life on the farm.

Progressive Republicans in the Congress were pleased by Wilson's conversion to their brand of progressivism, and the American people showed their approval by electing him to a second term.

### CONCLUSION

So, clearly government has tremendous power to tip the scale of power between the wealthy and the workers. In the 1800s, government usually intervened on behalf of business owners, but in the 1900s, progressive presidents worked more aggressively to champion the concerns of workers.

Some would argue that America's political leaders did not go far enough, that they should have done more to distribute power and wealth among the people who labored every day to create that wealth. Moreover, this did not end after the Gilded Age. Throughout the Great Depression of the 1930s, and even within today's Occupy Wall Street movement, there are those who feel government has not done enough to redistribute wealth.

What do you think? How should government balance the power of the social classes?



**Federal Trade Commission:**  
Government organization charged with monitoring business activities, especially to limit the creation of monopolies.

### SUMMARY

Theodore Roosevelt took an interesting road to the White House. He was born rich, became a national hero in the Spanish-American War, was briefly a cowboy, became Governor of New York, and eventually vice president. Republican leaders who didn't like Roosevelt chose him to be vice president on purpose, because they believed he would be sidelined and would have no influence. They didn't expect McKinley to be assassinated.

As president, Theodore Roosevelt wanted to balance the needs of workers and owners. When trusts were beneficial to the growth of the nation, he ignored them. When he thought business leaders were hurting people and the nation, he took them to court to break up their monopolies.

Roosevelt grew tired of the job and helped William Howard Taft win as his successor. Taft continued Roosevelt's trustbusting ways. In 1912, Roosevelt came back, this time with his own Bull Moose Party to try to win back his old job. Republicans were split between Taft and Roosevelt, giving the electoral win to Woodrow Wilson, a democrat.

Wilson was also a progressive, and used government's power to promote reform. During his time in office he created the Federal Reserve to stabilize the nation's banking system and the Federal Trade Commission to oversee business practices.



### KEY CONCEPTS

**Trust Buster:** Nickname for President Theodore Roosevelt, referring to the numerous lawsuits he filed against monopolies using the Sherman Anti-Trust Act.

**New Freedom:** President Wilson's campaign promise. He wanted to reduce tariffs and limit the power of banks and trusts.



### LAWS

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### PEOPLE AND GROUPS

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### EVENTS

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### GOVERNMENT AGENCIES

**Federal Reserve:** Government organization charged with maintaining a steady overall economy. They control the amount of money printed and in circulation. They also control the interest rates banks pay to borrow money.

**Federal Trade Commission:** Government organization charged with monitoring business activities, especially to limit the creation of monopolies.





## Q u e s t i o n N i n e

# IS GREED GOOD?

The Gilded Age was a time of economic growth, innovation and laid the groundwork for the look and feel of modern industrial America.

The captains of industry who made this possible, where the same robber barons who used their power and influence to enrich themselves at the expense of everyone else.

Greed, the desire for money, drove both the great industrialists and the poor alike. Immigrants, entrepreneurs and millions of everyday Americans hoped that through hard work and a bit of luck, they too might get ahead in the world. And, when things did not work out, of the masses of workers felt that they were being treated unjustly by industrialists who they felt were too greedy, they formed unions, and took action to make change.

It is time for you to decide what you think. Is greed good?



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