Chapter 17: The Triumph of Industrial Capitalism, 1850-1890

Overview
1873 and 1893 were years remembered primarily as the beginnings of two disastrous economic depressions, or “panics.” Americans witnessed nationwide labor strikes and sustained price deflation. Farmers’ crops were worth less at harvest-time than at planting-time and manufacturers increased production to maintain profit levels only to see their prices fall. However the two decades also marked the most dramatic economic transformations in the history of the world. The U.S. was on its way to becoming the leading capitalist nation on earth. The manufacturing and banking industries of the late nineteenth century produced businesses that were unprecedented in the U.S. “Big Business” generated wealth in staggering concentrations and made a few men richer than anyone could have imagined. Social class became a reality in the United States during this period. The gap between the owners and the workers became obvious. The Homestead Act, passed during the Civil War was designed to ensure that the Trans-Mississippi West was settled by small, hard-working, independent farmers. They arrived taking advantage of the opportunity to start anew but so, too, did railroad tycoons and commercial farmers, immigrant workers and miners. They all participated in one way or another displacing the Indians who had lived in the West for centuries. As the west was settled and developed it was soon an integral part of the nation’s political economy of global capitalism. Beef, timber, gold, and silver were sent back east and the mythic independent, self-sufficient, and self-reliant westerner was just another cog in the industrialization of America.

Key Topics
The information in Chapter 17 introduces your students to the following key topics:
- The global reach of capitalism
- Political and economic causes of immigration to the U.S.
- Industrial revolution and the rise of big business
- The emergence of Indian reservations in the trans-Mississippi West
- The absorption of the West into the global economy

Chapter Outline
Vignette: Rosa Cassettari
The Political Economy of Global Capitalism
- The “Great Depression” of the Late Nineteenth Century
- The Political Economy of Immigration
- America Moves to the City
The Rise of Big Business
- Andrew Carnegie and the Rise of Big Business
- Carnegie and the Pennsylvania Railroad
- Carnegie becomes a Financier
- Carnegie Dominates the Steel Industry
- Big Business Consolidates
A New Social Order
- Lifestyles of the Very Rich
- The Consolidation of the New Middle Class
- The Industrial Working Class Comes of Age
- Sharecropping Becomes Wage Labor

FEATURE: WHERE THEY LIVED, WHERE THEY WORKED
- The Mining Camps of the Trans-Mississippi West

Clearing the West for Capitalism
- The Overland Trail
- Origins of Indian Reservations
- The Destruction of Indian Subsistence

The Economic Transformation of the West
- Cattlemen: From Drovers to Ranchers
Annotated chapter outline with review questions

**Rosa Cassettai:** An Italian immigrant, Rosa Cassettai’s story is that of many immigrants. She arrived poor but although she found no streets pave with gold, she made a living for herself and her children.

**The Political Economy of Global Capitalism:** 1873 and 1893 were remembered primarily as the beginnings of two disastrous economic depressions, or “panics.” Americans witnessed nationwide labor strikes and sustained price deflation. Farmers’ crops were worth less at harvest-time than at planting-time and manufacturers increased production to maintain profit levels only to see their prices fall. However the two decades also marked the most dramatic economic transformations in the history of the world. The U.S. was on its way to becoming the leading capitalist nation on earth.

- The Panics of 1873 and 1893 were global economic catastrophes and confirmed what many Americans already knew: economic well-being in the U.S. was linked to global patterns of change and migration.
- Immigrants from Asia and Europe and especially Jews from Eastern Europe and Russia came to the U.S. for a variety of reasons: economic collapse, agrarian crises, political chaos and unrest, and persecution. Their objective was to get a job.
- By 1900 the U.S. boasted of dozens of truly modern industrial cities with immigrant downtown slums known for disease, poverty, and crime and middle and upper class residential neighborhoods. America’s cities were not only characterized by corruption and decay, characterization which Thomas Jefferson feared, but also diversity and excitement.

- Why did so many immigrants come to the United States in the late nineteenth century?

**The Rise of Big Business:** The manufacturing and banking industries helped create the nation’s “Big Businesses” which in turn generated wealth in staggering concentrations and made a few men richer than anyone could have imagined.

- Andrew Carnegie’s spectacular climb from rags to riches reached mythic proportions. He was trained in organizational and management techniques at the Pennsylvania Railroad and learned financial lessons from J. Pierpont Morgan, a founder of the modern investment company.
- Between 1856 and 1872, Andrew Carnegie proved himself a master of the railroad industry, a brilliant bureaucratic manager, and a shrewd financial manipulator. He made unheard of sums of money, most of it from revenue from capital, not as he said, “something that I had not worked for with the sweat of my brow”.
- Carnegie pioneered the transition from iron to steel using the Bessemer process and transporting iron ore from its source in Michigan to his mill in Pennsylvania.
- But without access to vast amounts of investment capital (Carnegie’s and his friends’) the steel industry would have been slow to take off. Carnegie’s steel mills soon supplied America’s railroads and his fanatical cost-control techniques ensured financial success.
- Big Business required huge investments of capital and only big investment houses, not local banks or individuals, could meet the demand. Profits were protected by eliminating or at least reducing competition. The most common strategy designed to reduce competition was vertical integration. The trust, or later the holding company, was an attempt to create a monopoly in which internal competition was regulated and external competition eliminated.
- The face of the American economy changed during the last decades of the nineteenth century and the faces that symbolized the change became America’s socially elite.

- What were Andrew Carnegie’s major contributions to the development of American industry?

**A New Social Order:** Social class became a reality in the United States during this period. There was a social and economic gap between owners and workers that no one could deny.
• Between 1850 and 1890 the four-thousand richest families in America became richer than ever. The wealthy were a rather ethnically and socially homogenous group that insulated itself from outsiders.

• Middle class Americans were usually from the professional ranks. They were mostly men who earned annual incomes far in excess of independent craftsmen and factory workers. They were upwardly mobile and their abilities allowed them to leave the central cities for the suburbs with trees, lawns, and gardens.

• One of the greatest changes in the political economy of the nineteenth century was increased reliance and value of sophisticated machines and the decreased value of skilled labor. Factory operators and common laborers were usually immigrants who faced harsh work environments, mindless repetitive work, little job security, and low pay. By the 1890’s forty percent of steel workers were common laborers.

• Because they were rarely socially, culturally, or ethnically homogenous, the common laborers in the U.S. was generally unsuccessful in organizing labor unions. When they did unionize they confronted the biggest, most powerful, and organized corporations in the country.

• Women wage workers accounted for one fifth of the gainfully employed Americans; most in unskilled low-paying positions in industries that became Big Business and more and more jobs that had been women’s jobs went to men.

• By the mid-1880s the labor problem in the South was resolved by the increasing reliance on sharecropping. The landlord owned the crop and paid his workers, usually black, a wage in the form of a share of what was produced. Merchants were reluctant to extend credit to share croppers so landlords became merchants as well. Merchants bought land and they, too, became landlords. The black wage laborer sharecropper was at the bottom of the hierarchy.

• Sharecropping in the South differed in two ways from wage labor: sharecropping was family labor which bound wives and children to the husband’s labor and sharecropping was a year-long contract. For those blacks not bound to a sharecropping contract, opportunities were limited. Some women worked as household domestics while other families did what millions of others did: they packed up and moved hoping for a better situation somewhere else. For some black Americans that was in the northern industrial cities and for others it was in the West.

Describe the new social hierarchy of industrial America.

Clearing the West for Capitalism: The Homestead Act, passed during the Civil War was designed to ensure that the Trans-Mississippi West was settled by small, hard-working, independent farmers. They arrived taking advantage of the opportunity to start anew but so, too, did railroad tycoons and commercial farmers. Immigrant workers and miners also went west. They all participated in one way or another displacing the Indians who had lived in the West for centuries.

• For most Americans, moving west represented the opportunity to buy land and set up a farm. Most migrants were middle class families. As more Americans moved west, the federal government began to pursue a long-term solution to the problem of Indian-White relations.

• White Americans carried with them a vicious prejudice against Indians and many settlers, soldiers, and politicians alike, advocated a policy of extermination. Others believed a reservation system was more humane and more practical. What few Americans at the time were willing to address was the fundamental difference between whites and Indians where land ownership and political authority were concerned. The national government used its treaty-making powers to implement the reservation system and when Indians failed to stay on their assigned reservation the army was sent in to coerce compliance. During the 1850s and 1860s the relationships were marked by ineptitude and corruption on the one hand and intermittent violence on the other. Despite well publicized and popularly supported battles between the army and the Indians, “battles” which featured the wholesale massacre of unarmed women and children, it was clear by 1870 that the Indians would not voluntarily retire to government reservations and that military might could not force the Indians to surrender.

• Although military might and the reservation policy remained unchanged, a new method for reaching the “solution” to the “Indian problem” was introduced in the 1870s. That was the extermination of the buffalo. Between 1850 and 1880 some 13 million bison were reduced to several hundred and Indians across the Plains began to move to the reservations. Once on the reservation, social reformers, teachers, and ministers could teach the Indians the values of white Americans. Between the extermination of the buffalo and
government civilization programs, native political hierarchies were destroyed along with traditional family values.

- The last program, the elimination of the reservations, was implemented in the Dawes Severalty Act of 1887. It was designed to distribute individual plots of land to Indian families to force Indians to live like stereotypical white farmers. For many Indians, the Dawes Act was the final destruction of their cultural and political autonomy.

Trace the development of Indian "reservations."

**The Economic Transformation of the West:** As the west was settled and developed it was soon an integral part of the nation’s political economy of global capitalism. Beef, timber, gold, and silver was sent back east and the mythic independent, self-sufficient, and self-reliant westerner was just another cog in the industrialization of America.

- In the early 1880s the corporate structure, perfected in the East, took over the cattle industry of the West. Longhorn cattle, which were plentiful in Texas and an immediate solution to a beef-starved population in the East, were replaced by hybrid cattle breeds which produced more and better beef. Soon cattle ranching, sheep raising were just other opportunities for eastern and European investors. Neither steers or sheep were raised for local consumption but for tables in the East.

- Between 1860 and 1900 the number of farms in the U.S. nearly tripled. In the west, white American farmers took advantage of the lands once farmed by Indians and they actively displaced Hispanic and Mexican-American farmers. These white farmers were not homesteaders growing crops to feed their families. From the start, they were commercial farmers producing food and grain for an international market.

- The expansion of railroads across the west enabled or encouraged the settlement of the west. The process was rapid. By 1890, the U.S. Census reported that the frontier had been filled.

- The settlement of the West by so many farmers, ranchers, and miners, and the construction of the railroads changed the western environment. From the native grasses to the clear skies, the unsettled west was soon no different than the industrialized east. The frontier was gone along with the buffalo. Thomas Jefferson's idealized yeoman farmer was replaced by commercial agriculture or a corporate-owned operation. By the turn of the century, the West was just another part of the global economy of capitalism.

What were the major changes in the American West in the second half of the nineteenth century?

**Feature: Where they lived, where they worked:** The Mining Camps of the Trans-Mississippi West: The popular image of the gold miner is that of a lone man scratching the earth’s surface and being rewarded by striking it rich. Rarely was the myth the same as the reality. The mining that paid huge dividends was mining that was mechanized and financed by investors who hired others to do the backbreaking dirty work. But the myth endures, in part, because of men like Marcus Daly, who arrived penniless in the mining fields and ended up wealthy and powerful. The successes of men like Daly fueled the mining fever of those who went west hoping to strike it rich.

**Conclusion:** The immigrant experience in industrializing America was one which is typified by both Rosa Cassettari and Andrew Carnegie; one poor all her life, the other born poor and died one of the richest men in the United States. Both were caught up in the political economy of global capitalism.

**Making links to other ideas** Using the maps and websites, in addition to your prepared lectures and other assignments, can give you more resources to enable your students to see that history is much more than memorizing names and dates. You will find that the websites are even more comprehensive and adaptable than described and because they have been collected here in one volume you have a world of information no further away than the click of your mouse. If you are new to the web’s opportunities, you will be pleasantly surprised at the breadth and depth of the information available in these sites.

Map 01. What do the economies of the nations have in common to which the immigrants are moving? Are leaving? Map 02. In 1840 what did railroads link together? By 1870, what were the railroads linking together? What is the primary direction of the routes: north and south or east and west? What does that tell you about the nation’s commerce?
Map 03. As late as 1919, what kinds of products was the west producing? Why were there almost no factories west of the Mississippi River or in the lower southern states?

Map 04. Even before there were interstate highways, pioneers traveled on the same overland routes as those who went before and those who followed. What is the relationship of the topography to the locations of these routes?

Map 05: Identify the location of the earliest battle between Indians and whites. Which is the last battle depicted on this map? Do the battles depicted cluster in date and/or location?

Web connections and resources Consider using these websites to supplement your students’ reading and analytical skills. The sites were chosen because of their relevance to the material in the chapter -- not just to mirror it but to provide additional materials and perspectives. Questions from the student study guide have been included so that you can use or amend them to your own needs. Your students may find it insightful for you to guide them through the site as you help them develop research strategies.

“The Dakota Sioux Conflict of 1862” www.prenhall.com/boydston/dakota
The Dakota Sioux Conflict of 1862 began three decades of intermittent warfare between Plains Indians and the United States government. It also typified in its causes, course, and consequences those subsequent conflicts. The Sioux, prior to 1862, had lived in relative peace with French and English settlers. Why that changed, and how, are the framing questions of this Web Connection.
1. Summarize the witnesses’ testimony and answer the questions posed by the author of the site.

Explore the world of immigrants in New York in the late nineteenth century by viewing the full text and illustrations of Jacob Riis’s work. To see a collection of over a dozen photographs depicting tenement life, see http://www.masters-of-photography.com/R/riis/riis.html.
1. Jacob Riis’s photographs illustrate the poverty and despair of those immigrants living in New York City slums. The photographs are powerful as is Riis’s use of photography as a documentary tool. Compare the lives illustrated by Riis’s photographs in this site with the lives described in the next site about Carnegie and the “titans of industry.”

“The Gilded Age and the Titans of Industry” http://www.pbs.org/wgbh/amex/carnegie/gildedage.html
On PBS’s The American Experience web site, learn about the experience of Americans during the so-called Gilded Age. Timeline features and a picture gallery provide links to a biography of industrialist Andrew Carnegie and photos of industrialists’ New York homes known by many as “Millionaires’ Row.”
1. Andrew Carnegie became the quintessential symbol of “rags to riches.” Evaluate his success: how was it made, at what costs was his wealth made, what does his philanthropic work at the end of his life say about Carnegie the man and his views of himself?

Maps, illustrations, genealogical charts, and photos depict the African American quest of the “Exodusters” who migrated West, especially to Kansas, in search of a better life.
1. The link between moving west and opportunity was a strong one for post Civil War African Americans. Compare the lives and attitudes of the “Exodusters” and those who stayed as sharecroppers in the South (see the site below for a first hand account of sharecropping).

“Still Livin’ Under the Bonds of Slavery” http://historymatters.gmu.edu/text/1563a-whitney.html
1. Download and listen to the audio recording of Minnie Whitney who describes sharecropping in the late nineteenth-century. Hear tales of hard times and oppression as well as agency and self-sufficiency.
2. Listen to Minnie Whitney’s account to help you answer the question posed above.

Analytical reading Your students may need more experience analyzing a short reading passage so that he or she can determine its component parts. They may need help identifying primary and supporting information as well as the author’s analysis. The analytical reading passages and the questions from the student study guide have
been duplicated in the instructor’s manual for your use. Your students may need direction and encouragement in using them.

Sharecropping differed in two critical ways from the wage work more common to industrial America. First, sharecropping was family labor. In industrial factories men, women, and children each received a wage for the time they worked. By contrast, sharecropping depended on a husband and father who signed the contract thereby delivering the labor of his wife and children to the landlord. Second, wage earners in urban and industrial America did not sign long term contracts. They were always vulnerable to layoffs and firings. But sharecropping contracts were year-long. This restricted the labor market in the rural South to a few weeks at the end of each year. If croppers left before the end of the year, they risked losing everything they had worked for up to that point.

The political economy of sharecropping impoverished the South by binding the region to a single crop—cotton—that steadily depleted the soil even as it fell lower and lower in price. Yet for most southern blacks there were few alternatives to sharecropping. Over time a small percentage of black farmers managed to purchase their own land, but their farms were generally tiny and the soil of poor quality. The skilled black artisans who had worked on plantations before the Civil War largely disappeared in the postwar South. Many of them moved to southern cities where they took unskilled, low-paying jobs, the only ones they were offered.

Industrialization was not much help for blacks. Northern factories were segregated, as were the steel mills of Birmingham, Alabama. Textile mills were completely restricted to whites. In towns and cities black women worked increasingly outside the home, most commonly as domestic servants, to supplement their husbands’ meager incomes. As the number of black domestics grew, they changed the way they worked. At the end of the Civil War, most domestic servants lived in the homes of their employers. By 1900 most of them lived at home with their families and commuted to work each day. Wage labor had transformed the lives of southern blacks, but it had not brought them prosperity.

1. Compare and contrast sharecropping with factory wage labor. What is the most important difference?
2. What factors would cause a man to sign a sharecropping contract?
3. What alternative work opportunities did poor people in the south have other than sharecropping?
4. Why did sharecropping become wage labor?

Writing The questions or writing prompts from the student study guide have been duplicated here for your use. These writing topics make good lecture topics especially if you help your students see the development of the idea in lecture format before they refine the idea in their writing assignments.

1. Compare the lives and experiences of Rosa Cassettari and Andrew Carnegie? What do you think the biggest differences between them were other than their economic status?
2. Discuss the changes in business and financing practices that were brought about because of the industrialization of the American economy.
3. Few immigrants to America ended up in the same situation as Andrew Carnegie and few miners in the west ended up like Marcus Daly. Were they indeed “self-made men” or was their wealth the product of hundreds or thousands of men and women working for them to produce their wealth?

Lecture Strategies Ultimately the lecture is where you impart, or profess, your knowledge for the benefit of your students. These strategies were designed around the textbook and if your classroom strategy is to use the organization of the text to organize your course content, these lecture ideas may prove helpful. However, if you lecture around themes please see the section entitled “Thematic Lecture Topics.” You may find that you are more comfortable with and your students are more responsive to a combination of the two.

This chapter presents many opportunities for you to help your students examine the complex “industrial revolution.” It is especially important that they leave this chapter with an understanding of the global nature of the American economy because that will play a significant role in subsequent events and chapters.

Industrial capitalism: what was the “industrial revolution” and in what ways was it “revolutionary?” Discuss the component parts that went into this revolution and convey to your students the notion that all of the parts
of the industrial changes were connected and dependent on one another. Instead of focusing on who invented what, have them consider the information necessary for a particular invention to come about and what was necessary to bring the thing to the consumer public. The industrializing of America brings many improvements to Americans’ lives and it brings many dangers. Help them understand the benefits and the costs of the industrial revolution. This is particularly important if you are going to consider the material in light of the term “Gilded Age” which is an excellent metaphor for getting them to the duality of the era. Andrew Carnegie is a particularly good example of a man whose wealth was made by the exploitation of his workers. The man’s complex personality is portrayed in the PBS American Experience documentary entitled Andrew Carnegie: The Richest Man in the World.

Consider the relationship of industrialization and immigration and urbanization: Without workers there would have been no industrial revolution. Discuss how and why immigrants came to America, identify their expectations, problems, successes, and contributions. Teaching in a rural community with predominantly rural students, one of my challenges has been to convey the complexity of urban life. On the other hand, my students can talk with a good deal of sophistication about farming and ranching and what that sort of immigrant experience was.

The west, farmers, ranchers, miners, and Indians: We like to dream of the west as the haven for the rugged individualist and rarely do we consider that the west and its inhabitants were cogs in the machinery of industrialization. Discuss the settlement and industrial development of the west whether in farming and ranching or mining. Where Indians are concerned, try to convey the Indian and white issues surrounding the dispossession of the Indians of their land and culture. These policies did not happen in a cultural vacuum and even though the results for the Indians were disastrous, whites were acting well within the boundaries of their cultural and political beliefs. Another aspect of the west that you might want to discuss is the environmental costs of the industrialization of America. This topic works nicely whether you are considering the pollution of east coast cities, the destruction of the bison, or the physical transformation of the west’s topography by different kinds of mining operations.

Social Order: Even though Americans then did not like to admit it, the nation was becoming more obviously divided by economic class. Rich, poor, working class, middle class; the economy was determining peoples’ opportunities. What were the consequences of these developments? This is particularly important as the chapters to come deal with problems created by the industrial economy and how different groups attempt to solve those problems.

**Penguin Classics**

Jacob A. Riis. *How the Other Half Lives* with an introduction and notes by Luc Sante. New York: Penguin Books, 1997. The Danish immigrant Jacob A. Riis arrived in America in 1870. With no particular talents, Riis finally found meaningful work as a police reporter for the Tribune and later the Evening Sun. It was as a reporter that Riis used his journalistic skills to convey the reality of life in New York’s slums. Words alone could not move the public to share Riis’s concern for New York’s children living and dying on the streets. The invention of flash photography in 1887 changed that as Riis armed himself with a camera to document the squalor and poverty. His slide shows did what no words could do and helped Riis launch urban reform programs. The Penguin edition contains thirty photographs alongside Riis’s textual description of life in New York’s slums. This book can be used to convey a reality of which many students are unaware but it can also be used to examine the now-common form of documentary journalism, photojournalism, and social reform movements. It is also a testament to what one individual can do to make a difference in helping to solve social problems.

Horatio Alger, Jr. *Ragged Dick or Street Life in New York with the Boot Blacks* with an introduction by Alan Trachtenberg. New York: A Signet Classic, 1990. Published in book form in 1868, Ragged Dick typifies the classic nineteenth century American story -- a young man raised alone on the streets of New York grows to maturity and respectability. Ragged Dick was written primarily for young boys who were cautioned, encouraged, and threatened in this morality tale of characters gone bad or rescued by their own character and efforts. In a larger sense, however, Horatio Alger’s novel is one of transformation. Alger capitalized on the very popular and powerful perception that any American who took advantage of opportunity, hard work, and luck could end up on “easy street.” Ragged Dick was the classic “rags to riches” American success story. For an American history survey class, *Ragged Dick* can become an introduction not only to period literature but also to the broader categories of resources historians can use in research. If you are discussing American culture, there is no better example of the American myth that every immigrant can grow up to be Richard Hunter, Andrew Carnegie, or Bill Gates.

In *Immigrant Voices: Twenty-four Narratives on Becoming an American*, edited by Gordon Hunter, New York: A Signet Classic, 1999. Hunter has chosen twenty-four narratives of immigrants to tell the stories of
immigrants’ transformations to Americans. Added to the predominantly European immigrant stories in this late 19th
century section of the text are those of the Syrian Abraham Rihbany. Consider the following examples as pertinent
to the material covered in this chapter: Andrew Carnegie discussed his immigrant childhood of poverty and hard
work in this excerpt from his Autobiography of Andrew Carnegie. Gro Svendsen, a young married Norweigan
mother of ten, recalled her pioneer experiences in Iowa in this excerpt from her memoirs entitled Frontier Mother.
Henry Villard immigrated to the United States from Bavaria in 1853. He made a fortune as the owner of the
Northern Pacific Railroad. His fortune, which was immense but fleeting, was partly donated to a variety of social
causes. In this excerpt from his Memoirs of Henry Villard, he discussed his early (1856-1857) employment in
Milwaukee and Chicago and a brief experience in politics. Jacob Riis discussed his experiences trying to find a
publisher and supporter of his photographic documentary work. This excerpt is from his The Making of an
America. Others in Immigrant Voices include an excerpt from Mary Antin’s The Promised Land. As a Russian Jew
living in Boston, Mary Antin was an ardent assimilationist who blended a reverence for democracy with religious
contemplation. See also Edward Steiner, From Alien to Citizen, Abraham Rihbany, A Far Journey, Edward Bok’s
The Americanization of Edward Bok, and Michael Pupin’s From Immigrant to Inventor.

See also Larry McMurtry. Crazy Horse. New York: A Lipper/Viking Book, 2000. Among other names,
the Lakota called him “Our Strange Man.” Crazy Horse, Ta-Shunka-Witco, remains for many the spiritual leader of
the Lakota people; many white Americans see him as one of the nation's most important leaders. For many, the
image of Crazy Horse or what he represents is more important. For Larry McMurtry, Crazy Horse -- the story and
the man -- represented something else entirely. This short biography looks at the man and the stories woven around
him.