



# Big Business and Organized Labor

## Objectives

1. Describe how new business methods helped American industry grow.
2. Identify the leaders of "big business" and the practices they used.
3. Summarize how working conditions changed as industry grew.
4. Describe workers' efforts to organize during the late 1800s.

## Main Idea

Business leaders developed new ways to raise money needed for expansion.

## Prepare to Read

### Reading Skill

#### Use Latin Word Origins

English words may also combine several Latin roots or words to build one word. Knowledge of the several roots can help you make a general guess of the English word's meaning. Context offers confirming information. As you read Section 2, look for words built on Latin word origins. Notice how this ancient language continues to influence English today.

### Vocabulary Builder

#### High-Use Words

eliminate, p. 615

justify, p. 616

#### Key Terms and People

entrepreneur, p. 614

corporation, p. 614

monopoly, p. 615

Andrew Carnegie, p. 615

John D. Rockefeller, p. 615

trust, p. 615

free enterprise, p. 616

Samuel Gompers, p. 618

collective bargaining, p. 618

★ **Background Knowledge** You have learned about the new Industrial Revolution that took place after the Civil War. In this section, you will see how this industrial boom had a very different impact on business owners and on workers.

## New Ways of Doing Business

Business expansion was led by bold entrepreneurs (ahn treh preh NYOORZ). An **entrepreneur** is someone who sets up new businesses to make a profit. To raise capital, or money, entrepreneurs adopted new ways of organizing business.

**The Corporation** Many businesses became corporations, or businesses owned by many investors. Corporations raise large amounts of capital by selling stock, or shares. Stockholders receive a share of the profits and pick directors to run the company.

Corporations limited the risk of investors. Owners of other types of businesses could lose their savings, homes, and other property if the business failed. Stockholders risked only the amount of money they had invested.

**Banking** Banks lent huge amounts of capital to corporations. These loans helped American industry grow faster than ever before. They also made huge profits for the bankers.

One banker, J. Pierpont Morgan, made himself the most powerful force in the American economy. Morgan gained control of key industries, such as railroads and steel. In hard times, Morgan and his friends bought stock in troubled corporations. They then ran the companies in ways that eliminated competition and increased profits.

✓ **Checkpoint** How did corporations raise capital?

## Growth of Big Business

As in Jefferson's time, the government took a laissez-faire approach to business in the late 1800s. Congress rarely made laws to regulate business practices. This atmosphere of freedom encouraged the growth of what came to be known as "big business." Entrepreneurs formed giant corporations and monopolies. A **monopoly** is a company that controls most or all business in a particular industry.

**Carnegie** One of the giants of big business was **Andrew Carnegie**. A poor Scottish immigrant, he worked his way up in the railroad business. He then entered the growing steel industry. Slowly, Carnegie gained control of every step in making steel. His companies owned iron mines, steel mills, railroads, and shipping lines. In 1892, Carnegie combined his businesses into the giant Carnegie Steel Company. It soon produced more steel than all the mills of England.

As a business leader, Carnegie could be ruthless. Still, he believed that the rich had a duty to improve society. He called his philosophy the Gospel of Wealth: Carnegie donated hundreds of millions of dollars to build libraries and support other charities. "I started life as a poor man," he said, "and I wish to end it that way." Carnegie set up a foundation that continued to fund worthy causes after his death. Many business leaders followed his example.

**Rockefeller** Another business giant, **John D. Rockefeller**, also came from humble beginnings. Rockefeller was the son of a peddler in New York. At age 23, he invested in an oil refinery. He used the profits to buy other oil companies. Rockefeller was a brilliant entrepreneur. He also did not hesitate to crush competitors, slashing prices to drive rivals out of business.

In 1882, Rockefeller ended competition in the oil industry by forming the Standard Oil Trust. A **trust** is a group of corporations run by a single board of directors. Other industries followed his lead. By 1900, trusts dominated many of the nation's key industries, from meatpacking to sugar refining to the manufacture of copper wire.

### Vocabulary Builder

**eliminate** (ee LIHM ih nayt) v. to get rid of.

### Main Idea

By the late 1800s, many major industries were dominated by a few giant companies.

### Biography Quest



**John D. Rockefeller**  
1839–1937

John D. Rockefeller was one of the most hated and admired figures of his time. The ruthless tactics he used in building his oil empire won him many enemies. Yet, he also donated much of his fortune to charitable causes, funding parks and universities. Journalist Ida Tarbell described Rockefeller as "a man whose soul is built like a ship in air-tight compartments. . . . The life that goes on in compartment one has no relation to that of compartment two."

### Biography Quest

**What experience taught Rockefeller his first lesson as a businessman?**

**For:** The answer to the question about Rockefeller

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**Debate Over Trusts** Was big business good or bad for the nation? Americans at the time hotly debated that issue. Today, many historians believe that both views are partly true.


Critics saw trusts as a threat to **free enterprise**, the system in which privately owned businesses compete freely. They saw leaders like Carnegie and Rockefeller as “robber barons” who unfairly eliminated competition. Critics also pointed out that business leaders used their wealth to influence politicians.

Others saw big business leaders as bold “captains of industry” who built up the economy and created jobs. They argued that limiting costly competition allowed companies to lower prices for their products. As a result, American consumers were able to afford more goods and services.

**Social Darwinism** A new philosophy called Social Darwinism also supported the trend toward trusts. Scientist Charles Darwin had said that, in nature, forms of animal and plant life survived if they could adapt to change better than others. Social Darwinism applied this idea of “survival of the fittest” to human affairs.

Big business leaders used Social Darwinism to justify efforts to limit competition. Businesses that drove out their competitors, they said, were “fittest” and deserved to survive. As you will see, Social Darwinism was also used to justify harsh working conditions.

**Checkpoint** How did Rockefeller control the oil industry?

 **Use Latin Word Origins**

The Latin word *ducere* can mean “to draw out.” Combine this with *pro-*, meaning “forth.” Connect these word origins to the modern usage of the word *products*.

**Vocabulary Builder**

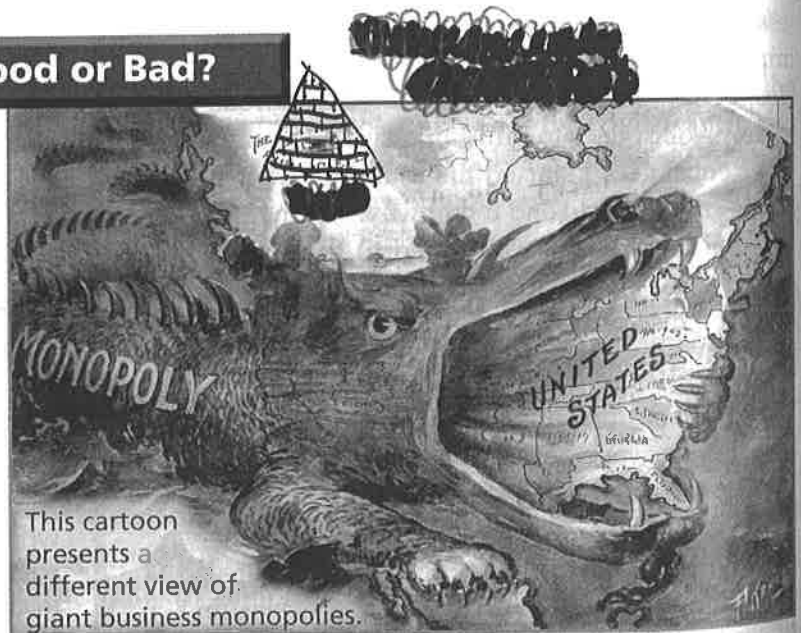
**justify** (JUHS tih fi) v. to give good reason for an action

## Trusts and Monopolies: Good or Bad?

A newspaper editor, quoted below, defends the right of businesses to cooperate in forming trusts and monopolies.

“The right to cooperate is as unquestionable as the right to compete. . . . The trust denies competition only by producing and selling more cheaply than those outside the trust can produce and sell.”

—Benjamin R. Tucker,  
Chicago Conference on Trusts



This cartoon presents a different view of giant business monopolies.

### Reading Primary Sources

#### Skills Activity

By 1900, the question of trusts and monopolies had become one of the most hotly debated issues in the United States.

- Interpret Primary Sources** According to Tucker, how does the public benefit from trusts?
- Detect Points of View** How does the view of monopoly expressed in the cartoon differ from Tucker's view?

## Changes in the Workplace

Before the Civil War, most factories were small. A boss knew every worker in the shop. As giant industries grew, however, the close relationships between owners and workers ended.

American industry attracted millions of new workers. Most were immigrants or native-born whites. Others were African Americans who left southern farms for northern factories.

**Women and Children** In some industries, the majority of workers were women. They outnumbered men in the textile mills of New England, the tobacco factories of the South, and the garment sweatshops of New York. A sweatshop is a manufacturing workshop where workers toil long hours under poor conditions for low pay.

Children also worked in industry, often in hazardous jobs. In bottle factories, eight-year-old boys ran with white-hot bottles to cooling racks. Children toiled in textile mills, tobacco factories, coal mines, and garment sweatshops. Most child laborers could not go to school. Therefore, they had little chance of improving their lives.

**Dangerous Conditions** Factory work could be dangerous. Breathing in fibers or dust all day, textile workers and miners came down with lung diseases. Steelworkers risked burns and death from vats of molten metal. Employers were not required to pay compensation for injuries suffered on the job. Social Darwinists claimed that such harsh conditions were necessary to cut costs, increase production, and ensure survival of the business.

An accident at a New York sweatshop tragically called attention to the dangers many workers faced. On March 25, 1911, fire broke out in the Triangle Shirtwaist Factory. Within minutes, the upper stories were ablaze. Hundreds of workers raced for the exits only to find them locked. The company had locked the doors to keep workers at their jobs. Panicked workers piled up against the exits.

Firetrucks rushed to the scene, but their ladders were too short to reach the fire. One after another, workers trying to escape the flames leaped to their deaths. Nearly 150 people, most of them young women, died in the Triangle Fire. As a result, New York and other states approved safety laws to help protect factory workers.

**Checkpoint** What dangers did factory workers face?

## Workers Organize

Since the early days of the Industrial Revolution, factory workers had made attempts to organize. Most early efforts to form unions failed, however. Companies hired private security guards to attack strikers or union organizers. In addition, laws made it illegal for workers to go on strike. Still, workers continued their attempts to form unions, often in secret. Labor unions sought safer working conditions, higher wages, and shorter hours.

### Main Idea

As industry grew, working conditions often got worse.



Child coal miners

### Main Idea

Despite many obstacles, organized labor began to grow in the late 1800s.

### A Violent Strike

Strikes often turned violent. This 1877 picture shows a confrontation between Maryland state militia and workers during a railroad strike. At least 10 strikers were killed. **Critical Thinking: Evaluate Information** How does this picture suggest that there was violence on both sides?



**Knights of Labor** In 1869, a group of Philadelphia clothing workers formed a union called the Knights of Labor. At first, the union was small and secret. Then, in 1879, the Knights elected Terence Powderly as president. Powderly rejected the use of strikes as a tool. Instead, he tried to win support by holding public rallies.

Under Powderly, the Knights of Labor admitted women, African Americans, immigrants, and unskilled workers. No earlier labor union had included all workers. For a time, the Knights became the biggest union in the country.

Union successes were undercut by a series of violent labor disputes. One of the worst episodes occurred in Chicago. On May 4, 1886, striking workers rallied in Haymarket Square. Suddenly, a bomb exploded and killed seven policemen. Police sprayed the crowd with bullets. As a result of such violence, public opinion turned against unions. The Knights of Labor, some of whom were at Haymarket Square, lost much of their influence.

**Rise of the AFL** In 1886, the year of the Haymarket Riot, Samuel Gompers formed a new union in Columbus, Ohio. It was called the American Federation of Labor, or AFL. The AFL soon replaced the Knights of Labor as the leading union in the country.

Unlike the Knights, the AFL admitted skilled workers only. Gompers argued that skilled workers could create a powerful union because their skills made it costly and difficult to train replacements. He also believed that the most effective way to win improvements was through collective bargaining. In collective bargaining, unions negotiate with management for workers as a group. Gompers believed in using strikes, but only if all else failed.

This practical approach worked well. By 1904, the AFL had grown to more than a million members. But because it barred African Americans, immigrants, and unskilled workers, the AFL still included only a tiny fraction of American workers.

**Women in the Labor Movement** Women played leading roles in building unions. Mary Harris Jones tirelessly traveled the country, campaigning for unions and giving support to striking miners. She called attention to the hard lives of children in textile mills. Because of her work with children, people began calling her Mother Jones.

**Bitter Strikes** In 1893, the nation was hit by a severe economic depression. Many business owners cut production, fired workers, and slashed wages. A wave of violent strikes swept the country. One of the worst occurred near Chicago. George Pullman, a manufacturer of railroad cars, cut his workers' pay by 25 percent. Still, he refused to lower rents on company-owned housing.

Angry workers struck the Pullman plant. Railroad workers walked off their jobs in support. By July, rail lines were shut down from coast to coast. President Grover Cleveland then sent federal troops to Chicago to end the strike. They were joined by deputies paid by the railroads. Marshals fired on the crowds, killing two protesters.

In such violent labor disputes, the public generally sided with the owners. Most Americans saw striking unions as radical and violent. By 1900, only about 3 percent of American workers belonged to a union.

✓ **Checkpoint** What methods did the AFL use?

★ **Looking Back and Ahead** Big business grew at a rapid pace. Organized labor also grew but faced many obstacles. In the next chapter, you will learn how these trends began to shift.



Mother Jones

## Section 2 | Check Your Progress

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### Comprehension and Critical Thinking

- (a) Recall** What big business tactic did Rockefeller use to eliminate competition?

**(b) Compare and Contrast** How were trusts viewed as both a threat and an advantage to the free enterprise system?
- (a) List** How did changes in the factory system affect workers in the late 1800s?

**(b) Draw Conclusions** Why was there an effort to organize workers into labor unions?

### Reading Skill

- 3. Use Latin Word Origins**  
 Connect the roots *ad-*, meaning "out," and *optare*, meaning "choose or wish," to the modern English word *adopted* as it is used in the following sentence: To raise capital, Americans adopted new ways of organizing business.

### Vocabulary Builder

- 4.** Draw a table with six rows and two columns. In the first column, list these terms: **entrepreneur, corporation, monopoly, trust, free enterprise, collective bargaining**. In the next column, write the definition of each word.

### Writing

- 5.** Which of the following statements seems the most emotional in its appeal? Which seems the most persuasive? Why?

**Statements:**

  - One cause of the Pullman strike was George Pullman's failure to lower rents on company-owned housing.
  - One cause of the Pullman strike was George Pullman's unfair treatment of workers.
  - One cause of the Pullman strike was a conflict between George Pullman and his workers over wages and rent.