YES

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Robber Barons and Rebels

In the year 1877, the signals were given for the rest of the century: the blacks would be put back; the strikes of white workers would not be tolerated; the industrial and political elites of North and South would take hold of the country and organize the greatest march of economic growth in human history. They would do it with the aid of, and at the expense of, black labor, white labor, Chinese labor, European immigrant labor, female labor, rewarding them differently by race, sex, national origin, and social class, in such a way as to create separate levels of oppression—a skillful terracing to stabilize the pyramid of wealth.

Between the Civil War and 1900, steam and electricity replaced human muscle, iron replaced wood, and steel replaced iron (before the Bessemer process, iron was hardened into steel at the rate of 3 to 5 tons a day; now the same amount could be processed in 15 minutes). Machines could now drive steel tools. Oil could lubricate machines and light homes, streets, factories. People and goods could move by railroad, propelled by steam along steel rails; by 1900 there were 193,000 miles of railroad. The telephone, the typewriter, and the adding machine speeded up the work of business.

Machines changed farming. Before the Civil War it took 61 hours of labor to produce an acre of wheat. By 1900, it took 3 hours, 19 minutes. Manufactured ice enabled the transport of food over long distances, and the industry of meatpacking was born.

Steam drove textile mill spindles; it drove sewing machines. It came from coal. Pneumatic drills now drilled deeper into the earth for coal. In 1860, 14 million tons of coal were mined; by 1884 it was 100 million tons. More coal meant more steel, because coal furnaces converted iron into steel; by 1880 a million tons of steel were being produced; by 1910, 25 million tons. By now electricity was beginning to replace steam. Electrical wire needed copper, of which 30,000 tons were produced in 1880; 500,000 tons by 1910.

To accomplish all this required ingenious inventors of new processes and new machines, clever organizers and administrators of the new corporations, a country rich with land and minerals, and a huge supply of human beings to do the back-breaking, unhealthful, and dangerous work. Immigrants would come from Europe and China, to make the new labor force. Farmers unable to buy the new machinery or pay the new railroad rates would move to the cities.

Between 1860 and 1914, New York grew from 850,000 to 4 million, Chicago from 110,000 to 2 million, Philadelphia from 650,000 to 1½ million.

In some cases the inventor himself became the organizer of businesses—like Thomas Edison, inventor of electrical devices. In other cases, the businessman compiled other people's inventions, like Gustavus Swift, a Chicago butcher who put together the ice-cooled railway car with the ice- cooled warehouse to make the first national meatpacking company in 1885. James Duke used a new cigarette-rolling machine that could roll, paste, and cut tubes of tobacco into 100,000 cigarettes a day; in 1890 he combined the four biggest cigarette producers to form the American Tobacco Company.

While some multimillionaires started in poverty, most did not. A study of the origins of 303 textile, railroad, and steel executives of the 1870s showed that 90 percent came from middle- or upper-class families. The Horatio Alger stories of "rags to riches" were true for a few men, but mostly a myth, and a useful myth for control.

Most of the fortune building was done legally, with the collaboration of the government and the courts. Sometimes the collaboration had to be paid for. Thomas Edison promised New Jersey politicians $1,000 each in return for favorable legislation. Daniel Drew and Jay Gould spent $1 million to bribe the New York legislature to legalize their issue of $8 million in "watered stock" (stock not representing real value) on the Erie Railroad.

The first transcontinental railroad was built with blood, sweat, politics and thievery, out of the meeting of the Union Pacific and Central Pacific railroads. The Central Pacific started on the West Coast going east; it spent $200,000 in Washington on bribes to get 9 million acres of free land and $24 million in bonds, and paid $79 million, an overpayment of $36 million, to a construction company which really was its own. The construction was done by three thousand Irish and ten thousand Chinese, over a period of four years, working for one or two dollars a day.

The Union Pacific started in Nebraska going west. It had been given 12 million acres of free land and $27 million in government bonds. It created the Credit Mobilier company and gave them $94 million for construction when the actual cost was $44 million. Shares were sold cheaply to Congressmen to prevent investigation. This was at the suggestion of Massachusetts Congressman Oakes Ames, a shovel manufacturer and director of Credit Mobilier, who said: "There is no difficulty in getting men to look after their own property." The Union Pacific used twenty thousand workers—war veterans and Irish immigrants, who laid 5 miles of track a day and died by the hundreds in the heat, the cold, and the battles with Indians opposing the invasion of their territory.

Both railroads used longer, twisting routes to get subsidies from towns they went through. In 1869, amid music and speeches, the two crooked lines met in Utah.

The wild fraud on the railroads led to more control of railroad finances by bankers, who wanted more stability—profit by law rather than by theft. By the 1890s, most of the country's railway mileage was concentrated in six huge systems. Four of these were completely or partially controlled by the House of Morgan, and two others by the bankers Kuhn, Loeb, and Company.

J. P. Morgan had started before the war, as the son of a banker who began selling stocks for the railroads for good commissions. During the Civil War he bought five thousand rifles for $3.50 each from an army arsenal, and sold them to a general in the field for $22 each. The rifles were defective and would shoot off the thumbs of the soldiers using them. A congressional committee noted this in the small print of an obscure report, but a federal judge upheld the deal as the fulfillment of a valid legal contract.

Morgan had escaped military service in the Civil War by paying $300 to a substitute. So did John D. Rockefeller, Andrew Carnegie, Philip Armour, Jay Gould, and James Mellon. Mellon's father had written to him that "a man may be a patriot without risking his own life or sacrificing his health. There are plenty of lives less valuable."

It was the firm of Drexel, Morgan and Company that was given a U.S. government contract to float a bond issue of $260 million. The government could have sold the bonds directly; it chose to pay the bankers $5 million in commission.

On January 2, 1889, as Gustavus Myers reports:

> . . . a circular marked "Private and Confidential" was issued by the three banking houses of Drexel, Morgan & Company, Brown Brothers & Company, and Kidder, Peabody & Company. The most painstaking care was exercised that this document should not find its way into the press or otherwise become public. . . . Why this fear? Because the circular was an invitation . . . to the great railroad magnates to assemble at Morgan's house, No. 219 Madison Avenue, there to form, in the phrase of the day, an iron-clad combination . . . a compact which would efface competition among certain railroads, and unite those interests in an agreement by which the people of the United States would be bled even more effectively than before.

There was a human cost to this exciting story of financial ingenuity. That year, 1889, records of the Interstate Commerce Commission showed that 22,000 railroad workers were killed or injured.

In 1895 the gold reserve of the United States was depleted, while twenty-six New York City banks had $129 million in gold in their vaults. A syndicate of bankers headed by J. P. Morgan & Company, August Belmont & Company, the National City Bank, and others offered to give the government gold in exchange for bonds. President Grover Cleveland agreed. The bankers immediately resold the bonds at higher prices, making $18 million profit.

A journalist wrote: "If a man wants to buy beef, he must go to the butcher. . . . If Mr. Cleveland wants much gold, he must go to the big banker."

While making his fortune, Morgan brought rationality and organization to the national economy. He kept the system stable. He said: "We do not want financial convulsions and have one thing one day and another thing another day." He linked railroads to one another, all of them to banks, banks to insurance companies. By 1900, he controlled 100,000 miles of railroad, half the country's mileage.

Three insurance companies dominated by the Morgan group had a billion dollars in assets. They had $50 million a year to invest—money given by ordinary people for their insurance policies. Louis Brandeis, describing this in his book *Other People's Money* (before he became a Supreme Court justice), wrote: "They control the people through the people's own money."

John D. Rockefeller started as a bookkeeper in Cleveland, became a merchant, accumulated money, and decided that, in the new industry of oil, who controlled the oil refineries controlled the industry. He bought his first oil refinery in 1862, and by 1870 set up Standard Oil Company of Ohio, made secret agreements with railroads to ship his oil with them if they gave him rebates—discounts—on their prices, and thus drove competitors out of business.

One independent refiner said: "If we did not sell out. . . we would be crushed out. . . . There was only one buyer on the market and we had to sell at their terms." Memos like this one passed among Standard Oil officials: "Wilkerson & Co. received car of oil Monday 13th. . . . Please turn another screw." A rival refinery in Buffalo was rocked by a small explosion arranged by Standard Oil officials with the refinery's chief mechanic.

The Standard Oil Company, by 1899, was a holding company which controlled the stock of many other companies. The capital was $110 million, the profit was $45 million a year, and John D. Rockefeller's fortune was estimated at $200 million. Before long he would move into iron, copper, coal, shipping, and banking (Chase Manhattan Bank). Profits would be $81 million a year, and the Rockefeller fortune would total two billion dollars.

Andrew Carnegie was a telegraph clerk at seventeen, then secretary to the head of the Pennsylvania Railroad, then a broker in Wall Street selling railroad bonds for huge commissions, and was soon a millionaire. He went to London in 1872, saw the new Bessemer method of producing steel, and returned to the United States to build a million-dollar steel plant. Foreign competition was kept out by a high tariff conveniently set by Congress, and by 1880 Carnegie was producing 10,000 tons of steel a month, making $1½ million a year in profit. By 1900 he was making $40 million a year, and that year, at a dinner party, he agreed to sell his steel company to J. P. Morgan. He scribbled the price on a note: $492,000,000.

Morgan then formed the U.S. Steel Corporation, combining Carnegie's corporation with others. He sold stocks and bonds for $1,300,000,000 (about 400 million more than the combined worth of the companies) and took a fee of 150 million for arranging the consolidation. How could dividends be paid to all those stockholders and bondholders? By making sure Congress passed tariffs keeping out foreign steel; by closing off competition and maintaining the price at $28 a ton; and by working 200,000 men twelve hours a day for wages that barely kept their families alive.

And so it went, in industry after industry—shrewd, efficient businessmen building empires, choking out competition, maintaining high prices, keeping wages low, using government subsidies. These industries were the first beneficiaries of the "welfare state." By the turn of the century, American Telephone and telegraph had a monopoly of the nation's telephone system, International Harvester made 85 percent of all farm machinery, and in every other industry resources became concentrated, controlled. The banks had interests in so many of these monopolies as to create an interlocking network of powerful corporation directors, each of whom sat on the boards of many other corporations. According to a Senate report of the early twentieth century, Morgan at his peak sat on the board of forty-eight corporations; Rockefeller, thirty-seven corporations.

Meanwhile, the government of the United States was behaving almost exactly as Karl Marx described a capitalist state: pretending neutrality to maintain order, but serving the interests of the rich. Not that the rich agreed among themselves; they had disputes over policies. But the purpose of the state was to settle upper-class disputes peacefully, control lower-class rebellion, and adopt policies that would further the long-range stability of the system. The arrangement between Democrats and Republicans to elect Rutherford Hayes in 1877 set the tone. Whether Democrats or Republicans won, national policy would not change in any important way.

When Grover Cleveland, a Democrat, ran for President in 1884, the general impression in the country was that he opposed the power of monopolies and corporations, and that the Republican party, whose candidate was James Blaine, stood for the wealthy. But when Cleveland defeated Blaine, Jay Gould wired him: "I feel . . . that the vast business interests of the country will be entirely safe in your hands." And he was right.

One of Cleveland's chief advisers was William Whitney, a millionaire and corporation lawyer, who married into the Standard Oil fortune and was appointed Secretary of the Navy by Cleveland. He immediately set about to create a "steel navy," buying the steel at artificially high prices from Carnegie's plants. Cleveland himself assured industrialists that his election should not frighten them: "No harm shall come to any business interest as the result of administrative policy so long as I am President . . . a transfer of executive control from one party to another does not mean any serious disturbance of existing conditions."

The presidential election itself had avoided real issues; there was no clear understanding of which interests would gain and which would lose if certain policies were adopted. It took the usual form of election campaigns, concealing the basic similarity of the parties by dwelling on personalities, gossip, trivialities. Henry Adams, an astute literary commentator on that era, wrote to a friend about the election:

> We are here plunged in politics funnier than words can express. Very great issues are involved. . . . But the amusing thing is that no one talks about real interests. By common consent they agree to let these alone. We are afraid to discuss them. Instead of this the press is engaged in a most amusing dispute whether Mr. Cleveland had an illegitimate child and did or did not live with more than one mistress.

In 1887, with a huge surplus in the treasury, Cleveland vetoed a bill appropriating $100,000 to give relief to Texas farmers to help them buy seed grain during a drought. He said: "Federal aid in such cases . . . encourages the expectation of paternal care on the part of the government and weakens the sturdiness of our national character." But that same year, Cleveland used his gold surplus to pay off wealthy bondholders at $28 above the $100 value of each bond—a gift of $45 million.

The chief reform of the Cleveland administration gives away the secret of reform legislation in America. The Interstate Commerce Act of 1887 was supposed to regulate the railroads on behalf of the consumers. But Richard Olney, a lawyer for the Boston & Maine and other railroads, and soon to be Cleveland's Attorney General, told railroad officials who complained about the Interstate Commerce Commission that it would not be wise to abolish the Commission "from a railroad point of view." He explained:

> The Commission . . . is or can be made, of great use to the railroads. It satisfies the popular clamor for a government supervision of railroads, at the same time that that supervision is almost entirely nominal. . . . The part of wisdom is not to destroy the Commission, but to utilize it.

Cleveland himself, in his 1887 State of the Union message, had made a similar point, adding a warning: "Opportunity for safe, careful, and deliberate reform is now offered; and none of us should be unmindful of a time when an abused and irritated people . . . may insist upon a radical and sweeping rectification of their wrongs."

Republican Benjamin Harrison, who succeeded Cleveland as President from 1889 to 1893, was described by Matthew Josephson, in his colorful study of the post-Civil War years, *The Politicos*: "Benjamin Harrison had the exclusive distinction of having served the railway corporations in the dual capacity of lawyer and soldier. He prosecuted the strikers [of 1877] in the federal courts . . . and he also organized and commanded a company of soldiers during the strike. . . ."

Harrison's term also saw a gesture toward reform. The Sherman Anti-Trust Act, passed in 1890, called itself "An Act to protect trade and commerce against unlawful restraints" and made it illegal to form a "combination or conspiracy" to restrain trade in interstate or foreign commerce. Senator John Sherman, author of the Act, explained the need to conciliate the critics of monopoly: "They had monopolies . . . of old, but never before such giants as in our day. You must heed their appeal or be ready for the socialist, the communist, the nihilist. Society is now disturbed by forces never felt before. . . ."

When Cleveland was elected President again in 1892, Andrew Carnegie, in Europe, received a letter from the manager of his steel plants, Henry Clay Frick: "I am very sorry for President Harrison, but I cannot see that our interests are going to be affected one way or the other by the change in administration." Cleveland, facing the agitation in the country caused by the panic and depression of 1893, used troops to break up "Coxey's Army," a demonstration of unemployed men who had come to Washington, and again to break up the national strike on the railroads the following year.

Meanwhile, the Supreme Court, despite its look of somber, black-robed fairness, was doing its bit for the ruling elite. How could it be independent, with its members chosen by the President and ratified by the Senate? How could it be neutral between rich and poor when its members were often former wealthy lawyers, and almost always came from the upper class? Early in the nineteenth century the Court laid the legal basis for a nationally regulated economy by establishing federal control over interstate commerce, and the legal basis for corporate capitalism by making the contract sacred.

In 1895 the Court interpreted the Sherman Act so as to make it harmless. It said a monopoly of sugar refining was a monopoly in manufacturing, not commerce, and so could not be regulated by Congress through the Sherman Act (*U.S. v. E. C. Knight Co.*). The Court also said the Sherman Act could be used against interstate strikes (the railway strike of 1894) because they were in restraint of trade. It also declared unconstitutional a small attempt by Congress to tax high incomes at a higher rate (*Pollock v. Farmers' Loan & Trust Company*). In later years it would refuse to break up the Standard Oil and American Tobacco monopolies, saying the Sherman Act barred only "unreasonable" combinations in restraint of trade.

A New York banker toasted the Supreme Court in 1895: "I give you, gentlemen, the Supreme Court of the United States—guardian of the dollar, defender of private property, enemy of spoliation, sheet anchor of the Republic."

Very soon after the Fourteenth Amendment became law, the Supreme Court began to demolish it as a protection for blacks, and to develop it as a protection for corporations. However, in 1877, a Supreme Court decision (*Munn v. Illinois*) approved state laws regulating the prices charged to farmers for the use of grain elevators. The grain elevator company argued it was a person being deprived of property, thus violating the Fourteenth Amendment's declaration "nor shall any State deprive any person of life, liberty, or property without due process of law." The Supreme Court disagreed, saying that grain elevators were not simply private property but were invested with "a public interest" and so could be regulated.

One year after that decision, the American Bar Association, organized by lawyers accustomed to serving the wealthy, began a national campaign of education to reverse the Court decision. Its presidents said, at different times: "If trusts are a defensive weapon of property interests against the communistic trend, they are desirable." And: "Monopoly is often a necessity and an advantage."

By 1886, they succeeded. State legislatures, under the pressure of aroused farmers, had passed laws to regulate the rates charged farmers by the railroads. The Supreme Court that year (*Wabash v. Illinois*) said states could not do this, that this was an intrusion on federal power. That year alone, the Court did away with 230 state laws that had been passed to regulate corporations.

By this time the Supreme Court had accepted the argument that corporations were "persons" and their money was property protected by the due process clause of the Fourteenth Amendment. Supposedly, the Amendment had been passed to protect Negro rights, but of the Fourteenth Amendment cases brought before the Supreme Court between 1890 and 1910, nineteen dealt with the Negro, 288 dealt with corporations.

The justices of the Supreme Court were not simply interpreters of the Constitution. They were men of certain backgrounds, of certain interests. One of them (Justice Samuel Miller) had said in 1875: "It is vain to contend with Judges who have been at the bar the advocates for forty years of railroad companies, and all forms of associated capital. . . ." In 1893, Supreme Court Justice David J. Brewer, addressing the New York State Bar Association, said:

> It is the unvarying law that the wealth of the community will be in the hands of the few. . . . The great majority of men are unwilling to endure that long self-denial and saving which makes accumulations possible . . . and hence it always has been, and until human nature is remodeled always will be true, that the wealth of a nation is in the hands of a few, while the many subsist upon the proceeds of their daily toil.

This was not just a whim of the 1880s and 1890s—it went back to the Founding Fathers, who had learned their law in the era of *Blackstone's Commentaries*, which said: "So great is the regard of the law for private property, that it will not authorize the least violation of it; no, not even for the common good of the whole community."

Control in modern times requires more than force, more than law. It requires that a population dangerously concentrated in cities and factories, whose lives are filled with cause for rebellion, be taught that all is right as it is. And so, the schools, the churches, the popular literature taught that to be rich was a sign of superiority, to be poor a sign of personal failure, and that the only way upward for a poor person was to climb into the ranks of the rich by extraordinary effort and extraordinary luck.

In those years after the Civil War, a man named Russell Conwell, a graduate of Yale Law School, a minister, and author of best-selling books, gave the same lecture, "Acres of Diamonds," more than five thousand times to audiences across the country, reaching several million people in all. His message was that anyone could get rich if he tried hard enough, that everywhere, if people looked closely enough, were "acres of diamonds." A sampling:

> I say that you ought to get rich, and it is your duty to get rich. . . . The men who get rich may be the most honest men you find in the community. Let me say here clearly . . . ninety-eight out of one hundred of the rich men of America are honest. That is why they are rich. That is why they are trusted with money. That is why they carry on great enterprises and find plenty of people to work with them. It is because *they are honest men*. . . .
>
> I sympathize with the poor, but the number of poor who are to be sympathized with is very small. To sympathize with a man whom God has punished for his sins . . . is to do wrong . . . let us remember there is not a poor person in the United States who was not made poor by his own shortcomings. . . .

Conwell was a founder of Temple University. Rockefeller was a donor to colleges all over the country and helped found the University of Chicago. Huntington, of the Central Pacific, gave money to two Negro colleges, Hampton Institute and Tuskegee Institute. Carnegie gave money to colleges and to libraries. Johns Hopkins was founded by a millionaire merchant, and millionaires Cornelius Vanderbilt, Ezra Cornell, James Duke, and Leland Stanford created universities in their own names.

The rich, giving part of their enormous earnings in this way, became known as philanthropists. These educational institutions did not encourage dissent; they trained the middlemen in the American system—the teachers, doctors, lawyers, administrators, engineers, technicians, politicians—those who would be paid to keep the system going, to be loyal buffers against trouble.

In the meantime, the spread of public school education enabled the learning of writing, reading, and arithmetic for a whole generation of workers, skilled and semiskilled, who would be the literate or force of the new industrial age. It was important that these people learn obedience to authority. A journalist observer of the schools in the 1890s wrote: "The unkindly spirit of the teacher is strikingly apparent; the pupils, being completely subjugated to her will, are silent and motionless, the spiritual atmosphere of the classroom is damp and chilly."

Back in 1859, the desire of mill owners in the town of Lowell that their workers be educated was explained by the secretary of the Massachusetts Board of Education:

> The owners of factories are more concerned than other classes and interests in the intelligence of their laborers. When the latter are well-educated and the former are disposed to deal justly, controversies and strikes can never occur, nor can the minds of the masses be prejudiced by demagogues and controlled by temporary and factious considerations.

Joel Spring, in his book *Education and the Rise of the Corporate State*, says: "The development of a factory-like system in the nineteenth-century schoolroom was not accidental."

This continued into the twentieth century, when William Bagley's *Classroom Management* became a standard teacher training text, reprinted thirty times. Bagley said: "One who studies educational theory aright can see in the mechanical routine of the classroom the educative forces that are slowly transforming the child from a little savage into a creature of law and order, fit for the life of civilized society."

It was in the middle and late nineteenth century that high schools developed as aids to the industrial system, that history was widely required in the curriculum to foster patriotism. Loyalty oaths, teacher certification, and the requirement of citizenship were introduced to control both the educational and the political quality of teachers. Also, in the latter part of the century, school officials—not teachers—were given control over textbooks. Laws passed by the states barred certain kinds of textbooks. Idaho and Montana, for instance, forbade textbooks propagating "political" doctrines, and the Dakota territory ruled that school libraries could not have "partisan political pamphlets or books."

Against this gigantic organization of knowledge and education for orthodoxy and obedience, there arose a literature of dissent and protest, which had to make its way from reader to reader against great obstacles. Henry George, a self-educated workingman from a poor Philadelphia family, who became a newspaperman and an economist, wrote a book that was published in 1879 and sold millions of copies, not only in the United States, but all over the world. His book *Progress and Poverty* argued that the basis of wealth was land, that this was becoming monopolized, and that a single tax on land, abolishing all others, would bring enough revenue to solve the problem of poverty and equalize wealth in the nation. Readers may not have been persuaded of his solutions, but they could see in their own lives the accuracy of his observations:

> It is true that wealth has been greatly increased, and that the average of comfort, leisure and refinement has been raised; but these gains are not general. In them the lowest class do not share. . . . This association of poverty with progress is the great enigma of our times. . . . There is a vague but general feeling of disappointment; an increased bitterness among the working classes; a widespread feeling of unrest and brooding revolution. . . . The civilized world is trembling on the verge of a great movement. Either it must be a leap upward, which will open the way to advances yet undreamed of, or it must he a plunge downward which will carry us back toward barbarism. . . .

A different kind of challenge to the economic and social system was given by Edward Bellamy, a lawyer and writer from western Massachusetts, who wrote, in simple, intriguing language, a novel called *Looking Backward,* in which the author fells asleep and wakes up in the year 2000, to find a socialistic society in which people work and live cooperatively. *Looking Backward,* which described socialism vividly, lovingly, sold a million copies in a few years, and over a hundred groups were organized around the country to try to make the dream come true.

It seemed that despite the strenuous efforts of government, business, the church, the schools, to control their thinking, millions of Americans were ready to consider harsh criticism of the existing system, to contemplate other possible ways of living. They were helped in this by the great movements of workers and farmers that swept the country in the 1880s and 1890s. These movements went beyond the scattered strikes and tenants' struggles of the period 1830–1877. . . . They were nationwide movements, more threatening than before to the ruling elite, more dangerously suggestive. It was a time when revolutionary organizations existed in major American cities, and revolutionary talk was in the air.