

# Business leaders

[Business](#)



In the 1860s, John D. Rockefeller set out to create an oil monopoly. His decision to buy up the railroad companies that transported oil, rather than smaller oil companies themselves, exemplified the aggressive, practical intelligence of the "robber barons": "Refusing them shipping, or simply raising their fees, could ruin their business. Rockefeller altered the playing field so that the only options the small oil producers had were the ones he gave them" (Greene 259).

Business leaders such as Rockefeller and Andrew Carnegie marshalled organizational schemes that proved immensely effective in establishing their power. Some of these organizational schemes were readily suppressed by governmental intervention. Influential stockholders of companies of the same industry would agree to limit production, set prices, and share profits. The 1887 Interstate Commerce Act outlawed such activities; the bill was passed with the intent of regulating the railroads, but was little enforced. The commission in charge of enforcement comprised former railroad executives and individuals in favor of the interests of the railroads.

Another popular method of business organization was the creation of trusts, an organizational technique perfected by John D. Rockefeller and Standard Oil. At the time, state laws prohibited one corporation from holding stock in another. However, it was legal to create a trust, by which stockholders in a smaller oil company could be "persuaded" to give control of their shares in that company "in trust" to the board of trustees of Standard Oil. Using this technique, Standard Oil established a horizontal integration of the oil industry in the early 1880s, meaning that the board of trustees of Standard Oil also controlled many of the oil-producing companies. Standard Oil expanded

in the late 1880s even further by becoming a holding company. In 1888 New Jersey passed new legislation allowing businesses incorporated there to own stock in other corporations.

Standard Oil stockholders began to buy up shares in other companies as well; under the regulations for a holding company, management of various companies could be joint as well. Standard Oil stockholders became the majority holders in other oil companies, allowing Standard Oil management to run these companies also. By the early 1890s Standard Oil had merged 43 oil-producing companies together under their control and produced nearly 90 percent of all oil in America. Standard Oil also achieved vertical integration when the company not only moved to control production but also the marketing and distribution of the finished product. Similar examples of vertical integration were found in many other companies, as in Gustavus Swift's similar control over the meat-processing industry. Carnegie Steel's operation is often cited as the best example of vertical integration in this era.

In the ethical treatment of the economic activities that ensued during the Gilded Age, the philosopher Herbert Spencer became intrigued by Darwinism and natural selection, which held that only the most well-adapted individuals in a population will survive and reproduce. Spencer suggested a parallel between economics and nature, coining the phrase "survival of the fittest" to describe the competition among human individuals and groups. He argued that human progress resulted from the triumph of more advanced individuals and cultures over their inferior competitors. He advocated a laissez-faire political and economic system that favors competition and self-interest in

social and business affairs. Read also what can be concluded about the demise of the knights of labor?

Through publications Spencer labeled the labor-fueled capitalist movement as Social Darwinism. American social philosopher William Graham Sumner popularized this theory, which found ready acceptance among the economically dominant of the era. Cornelius Vanderbilt represented the "robber baron" character of these men, asking, "'Can't I do what I want with my own?'" So did his son William, with his oft-quoted statement: 'the public be damned.' Once...[Cornelius Vanderbilt] bellowed: 'What do I care about the law? H'aint I got the power?'" (Brinkley 483).

Some successful capitalists nonetheless supported the concept of privileged philanthropy, as explained by Andrew Carnegie in *The Gospel of Wealth*.. According to this theory, the major role of America's industrialists was to act as the "guardians" of the wealth of America. Carnegie asserted that it was the duty of the wealthy to return a large portion of their wealth to the community. To the credit of both Rockefeller and Carnegie, foundations they established have made postmortem contributions of over \$650 million to various educational and artistic ventures. At its peak, Rockefeller's personal fortune was estimated at almost \$1 billion. The total amount of his philanthropic contributions was about \$550 million.

Labor's reaction to the ascendance of capital was both necessary and ineluctable. As was the case in the Homestead Strike of 1892, corporations would send Pinkerton guards to end strikes. One of the most violent strikes in labor history was called by the Amalgamated Association of Iron, Steel,

and Tin workers against the Homestead Steel Works after the workers refused to accept a wage cut and negotiations failed.

The Steel Works was a subsidiary of Carnegie Steel Company, and Henry Clay Frick was chairman of the board of directors at the time. His strong anti-labor manner led to his hiring of Pinkerton detectives. On orders, they opened fire on the picket lines, inciting a riot resulting in the death of several men, and the wounding of even more. On July 10, 1892, the governor called out the state militia. Strikers, who had previously been in control of the town, were dispersed, and nonunion labor was brought in under militia protection. Insidious business tactics like these ultimately proved to be either overlooked or cloaked under the protection of the government.

The major union to emerge from the 1870s was the Knights of Labor, which was founded in Philadelphia in 1869. Many earlier unions represented single crafts. The Knights of Labor opened their doors to both skilled and unskilled workers, and welcomed immigrants, blacks, and women as well. Membership in the Knights of Labor peaked around 750, 000 in the mid-1880s. Brochures written by the Knights of Labor proposed an ideal model of a cooperative society. Their rhetoric, however, failed to reach any concrete realization, and in several large strikes, ownership refused to even negotiate with representatives of the union, causing it to gradually lose members. The Knights of Labor further suffered a decline in membership as a result of the Haymarket Square riot.

The American Federation of Labor (A. F. L.) was the next major national labor organization to achieve national stature. Initially led by Samuel Gompers, the

A. F. L. was organized by crafts and consisted almost exclusively in skilled workers. In contrast to the idealism of the Knights of Labor, the A. F. L. bargained for practical issues such as higher wages and shorter hours. By 1917 the A. F. L. had over 2.5 million members.

Although the union used strike tactics on many occasions it strenuously avoided the appearance of being controlled by radicals. Miners in the West also were engaged in labor activity, and in late 1905 helped to found the Industrial Workers of the World (I. W. W.), which reflected the ideology of the Knights of Labor. Union literature was saturated with the Marxist themes and concepts of class conflict, violence, and the appeal of socialism. The union came to a conclusion during World War I when many of its leaders were jailed.

The labor movement proved fatally limited: Even by 1915 only 12 percent of the workforce was unionized. According to Burton W. Folsom, "irregardless of which government, whether federal, state, or local, or which commodity were involved, government-run businesses are considerably less efficient and prosperous than their free-market counterparts" (126). Through the laissez-faire policies of government in the Gilded Age, corporations gained unilateral advantage in the inevitable conflict with the labor force. The Second Industrial Revolution, propelled by a momentum rigged or no, transformed the climate of the American economy by redefining its parameters of power dynamics.

## **Works Cited**

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