

# The February 1892 Economic Development Summit

A Meeting of important executives, labor leaders, and government officials to discuss their goals and development of the United States in the new century.



## Entering a New Era

The reunification of the United States of America and subsequent “reconstruction” of the Southern states created a new system of developing and using capital (money, factories, production power to make goods, as well as connections to other’s production resources).

Major developments in iron and steel production, like the Bessemer process, allowed for steam-powered railways to become a dominant force of both industry itself and the capacity to transport capital across the country.<sup>1</sup> As a result of this localized growth now being connected nationwide, African Americans fled the south as The Great Migration began to take place.<sup>2</sup> This Great Migration coincided with the influx of millions of immigrants from Europe, Canada, and China—who traveled across the United States in search of new economic opportunities; often to become factory or trade workers.<sup>3</sup> As new generations of immigrants fled economic hardship, land shortages, and anti-Semitism in their homelands they were faced with growing racial and ethnic tensions within the United States, which complicated the dynamic of cross workplace solidarity between different industries.<sup>4</sup>

However, growth would not be sustained forever. With the rapid expansion of 33,000 miles of railroads from 1868 to 1873, fueled by government subsidies and land grants, there was an overinvestment in railroads. When Jay Cooke’s company was unable to sell enough Northern Pacific bonds to recover from loans and investments in railways in 1873, it triggered the failure of many banks and even the closure of the New York Stock Exchange.<sup>5</sup> With economic panic in full swing by 1877, rail bosses made the decision to cut wages in an attempt to preserve profit margins to continue railway growth. In response, workers across the East Coast and Midwest went on strike in July demanding their wages be reinstated. Once violence erupted, mayors and governors called on the police and even some troops to respond to the workers, and President Hayes utilized federal troops to put an end to the workers’ coordinated efforts forty-five days after the start of the strikes.<sup>6</sup>

<sup>1</sup> “The Second Industrial Revolution, 1870-1914.” *Northwestern University*. <https://bit.ly/3rllp4e>.

<sup>2</sup> “The Great Migration (1910-1970).” *The National Archives*. <https://www.archives.gov/research/african-americans/migrations/great-migration>.

<sup>3</sup> “Immigrant factory workers.” *Washington State University*. <https://bit.ly/3Mi9DHH>.

<sup>4</sup> Alfred D. Chandler and Stephen Salsbury. “The railroads: Innovators in modern business administration.” in Bruce Mazlish, ed., *The Railroad and the Space Program* (MIT Press, 1965) pp. 127–62

<sup>5</sup> Hiltzik, Michael. “Perspective | Presidents who don’t act decisively make financial crises worse”. *The Washington Post*.

<sup>6</sup> Stowell, David O. (June 1999). *Streets, Railroads, and the Great Strike of 1877*. ISBN 9780226776699.

These developments in both industry and labor capacity paved the way for what would be coined “The Gilded Age” following Mark Twain and Charles Dudley Warner’s 1873 publication of the novel *The Gilded Age: A Tale of Today*. Taken from the idea of gold gilding, Twain and Warner shared a satirical interpretation of the (at the time) growing corruption and greed that is now commonplace as the end of the 19th-century approaches.<sup>7</sup>

## Establishing Industry Titans

The expansion of railroads across the country revolutionized the way that capital moved across the country. Money financiers who were lucky enough to have money to invest at the end of the Civil War invested early in the railroads, and were able to build mass fortunes off of financing the construction of new transportation. Between the 1870s and 1880s the American economy grew at an unprecedented rate, with wages as well as gross domestic product (GDP) rising much faster than any other point at American history—even allowing the United States to rival parts of Europe in terms of industrial capacity and wealth.<sup>8</sup>

Consolidated corporations became one of the main ways that wealth was preserved in the country, and the emergence of industrial firms like Standard Oil and Carnegie Steel had an extremely strong grip not only on economic progress but also on the way that American society functioned as a whole. John D. Rockefeller’s organization of Standard Oil demonstrates this dynamic. Founded in 1863 by Rockefeller and Henry Flagler, and then fully incorporated in 1870, Standard Oil became the pinnacle of American corporations through their dominance of the oil industry that came through Rockefeller’s use of horizontal integration.<sup>9</sup> In order to ensure dominance of the market, Rockefeller realized that if his company had control over all of the oil refineries (essentially the input of oil production) he would be able to dominate the market by offering lower prices than all of his competitors. Combined with vertical integration, the strategic acquisition of the entire supply chain related to Standard Oil’s production process, Rockefeller successfully cornered the market and by the 1890s essentially had monopoly control over oil production in the United States. By the 1880s, Rockefeller and Standard Oil controlled 90% of the U.S. oil refining business.<sup>10</sup> Workers and white-collar critics alike criticized Standard Oil’s practices for being aggressive and dominating too much of the market, but Standard Oil’s low costs and the lack of competitors made the company vulnerable only to future government regulations. Similarly, Andrew Carnegie’s financing of steel manufacturers across the Midwest has begun to consolidate the steel industry in similar ways to the oil industry.<sup>11</sup>



<sup>7</sup> “Gilded Age.” *History.com*. <https://www.history.com/topics/19th-century/gilded-age>.

<sup>8</sup> Edward C. Kirkland, *Industry Comes of Age: Business, Labor, and Public Policy, 1860–1897* (1961) pp. 400–05.

<sup>9</sup> “Standard Oil.” *Britannica*. <https://www.britannica.com/topic/Standard-Oil>.

<sup>10</sup> “BRIA 16 2 b Rockefeller and the Standard Oil Monopoly.” *Constitutional Rights Foundation*. <https://www.crf-usa.org/bill-of-rights-in-action/bria-16-2-b-rockefeller-and-the-standard-oil-monopoly.html>.

<sup>11</sup> “Iron and Steel Industry.” *Case Western Reserve University*. <https://case.edu/ech/articles/i/iron-and-steel-industry>.

The majority of working-class Americans are connected in some way to a single industry titan, and a quiet resentment has begun to build as workers feel that they are being treated unfairly by their bosses. The wealthiest Americans have responded in very different ways to this. On one hand, Andrew Carnegie published an article titled “The Gospel of Wealth” in June of 1889 in which he described that the richest Americans like himself had a moral responsibility to give back to society through philanthropic means.<sup>12</sup> On the other hand, other wealthy financiers subscribed to the increasingly popular ideas of social Darwinism. Inspired by Darwin's research on survival and evolution of animals, some of the wealthiest Americans argued that economic survival of humans is no different than animals, and the wealth that they had amassed only showed that they had more merit than other Americans and were therefore more deserving of their high-class position in society.

### Labor and Society's Reaction

The average workers in American society, however, still felt alienated when their bosses outright refused to show them economic support and when they were seen as low-class receivers of charity. United by bosses abusing their power in the workplace and unprecedented dangerous working conditions brought on by rapid industrialization workers—notably rail and steelworkers—began to form unions to collectively bargain in favor of better working conditions and wages. The first of these on a national level was the National Labor Union (NLU), founded in 1866 by a collective of both skilled and unskilled laborers.<sup>13</sup> Their primary work focused on laying the groundwork to regulate an eight-hour workday, but leadership's desire to arbitrate through differences rather than utilize strikes as a bargaining tool led the rank-and-file members to leave the NLU. Within seven years the last local of the NLU officially dissolved.

Seeing an opportunity for national collective action in the wake of the NLU's collapse, in 1869 Uriah Stephens founded the Noble and Holy Order of the Knights of Labor (KL).<sup>14</sup> Originally operating as more of a secret society of tailors the KL's message of a united front of wage laborers became popular with more workers across Pennsylvania and eventually nationwide, in 1881 the Knights took a radical stance and declared that women would be accepted as equal members to men in the Union. This change was a major factor in the growth of KL and by the early 1880s national membership began to peak at around 700,000 card carriers.<sup>15</sup> Under the leadership of organizer Joseph Buchanan in 1884 railroad workers from Nebraska to Utah went on strike over a 10% pay cut from Union Pacific, temporarily crippling industries that relied on rails to function. Even bigger rail strikes took place against railroads controlled by Jay Gould in the mid-1880s that solidified a need for bosses to respect their now organized workers. In addition to frequently fighting for higher wages the Knights also organized around securing not only a federally-mandated eight-hour workday, but also stricter health and safety laws as well as a basic system to compensate workers injured on the job.

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<sup>12</sup> “The Gospel of Wealth.” *The Carnegie Corporation of New York*. <https://www.carnegie.org/about/our-history/gospelofwealth/>.

<sup>13</sup> “8-Hour Work Day.” *Library of Congress*. <https://memory.loc.gov/ammem/today/aug20.html>.

<sup>14</sup> “Knights of Labor.” *History.com*. <https://www.history.com/topics/19th-century/knights-of-labor>.

<sup>15</sup> *Ibid.*

However, after 1886 Labor's respect across the country would be challenged. On May 4 at a strike in support of an eight-hour workday in Chicago an unknown person threw a bomb as police attempted to disperse the picket line.<sup>16</sup> As the largest Union at the time the KL received criticism for potentially one of their members being the aggressor that led to the death of four laborers and seven police officers as well as at least a hundred and thirty documented injuries. Over one hundred people were arrested as well, eight of which were self-described anarchists who were convicted of conspiracy following the riot. Threatened by the idea of more violence erupting over labor disputes, employers began to clamp down and even actively bust union organizing. The KL's reputation was tainted and membership quickly declined under the new and legitimate threat of new "detective" agencies that emerged with a focus on fighting union activity, especially the well-known Pinkertons.

With the decline of the KL a new organization, the American Federation of Labor, would rise to take its place as a national collective of local unions.<sup>17</sup> Spearheaded by their first leader Samuel Gompers at a December 8, 1886 conference, the AFL was founded on the principle of being a union that truly fought against employers, a public break from the KL who had been accused of organizing workers to cross picket lines during strikes and was criticized in its end years for not being militant enough to fight for workers as they needed to. Presenting itself as a less-radical but still militant organization for workers the AFL's leadership adopted a platform of attempting to rework the capitalist system to be friendlier to workers rather than abandon it altogether as smaller organizations argued was necessary. This platform was overall appealing to the average American worker, and membership continued to steadily increase as the 20th century approached.

Journalists have also started playing a crucial role in how non-industrial and industrial society has responded to the growth of corporations and labor movement alike. The term "Robber Baron," for example, first appeared in an August 1870 magazine issue of *The Atlantic Monthly* as a term critical of dominant businessmen such as John D. Rockefeller, Henry Clay Frick, Andrew W. Mellon, Andrew Carnegie, J. P. Morgan, and Cornelius Vanderbilt, among others.<sup>18</sup> These men had been criticized for amassing their wealth through the exploitation of workers and resources they control, as well as conspiring with important government officials to receive unfair protection and advantages at the local, state and federal levels. Many journalists worked to expose these shortcomings. These "Muckrakers" became extremely popular in the public's eye as the wealth gap between working-class and upper-class Americans became wider and wider. Additionally, industrial titans faced constant criticism for their "abusive" treatment of workers, and even more criticism for rampant corruption between corporations and the government following the *New York Sun's* 1872 exposure of the Crédit Mobilier scandal in the U.S. House of Representatives; in which shares in Crédit Mobilier were sold cheaply to members of the House of Representatives in order to influence activities in Congress.<sup>19</sup>

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<sup>16</sup> "Site of the Haymarket Tragedy." *City of Chicago*. <https://tinyurl.com/3kf49z9s>.

<sup>17</sup> Foner, Phillip S. *History of the Labor Movement in the United States: Volume 2: From the Founding of the AFL to the Emergence of American Imperialism*. New York: International Publishers, 1955; pp. 132–133.

<sup>18</sup> Baldwin, Lida F. (1907). "Unbound Old Atlantics". *The Atlantic Monthly*. C (November 1907): 683.

<sup>19</sup> "The Crédit Mobilier Scandal." *United States House of Representatives*. <https://history.house.gov/Historical-Highlights/1851-1900/The-Cr%C3%A9dit-Mobilier-scandal/>.

The disregard that many robber barons had for average Americans was exemplified by the 1889 Johnstown Flood—a disaster in which an artificial lake created by a dam broke through the dam and flooded Johnstown in Pittsburgh, killing over 2000 people.<sup>20</sup> The artificial lake was maintained on behalf of a private club whose members included leading industrialists such as Andrew Carnegie, Andrew Mellon, and Henry Clay Fiske.<sup>21</sup> Despite the flood happening as a result of the club's modifications to the dam, none of the industrialists nor the private club were ever held legally responsible for the damage to buildings or lives lost. The Johnstown Flood exemplifies the impunity with which many robber barons could operate.

## The Agricultural Economy

While the Gilded Age is known for its rapid industrialization and titans of industry, American was still largely a rural nation—with high levels of employment in agriculture. In fact, farmers during the Gilded Age were cursed by an overproduction of agricultural products. The expansion of homesteads west across the continent and introduction of mechanical tools that made farming more efficient caused agricultural overproduction.<sup>22</sup> This overproduction combined with improved and quicker global transportation networks meant that prices for agricultural products fell during the Gilded Age. For example, from 1873 to 1894, cotton prices declined from 15 cents a pound to 6 cents a pound.<sup>23</sup> American farmers were also now competing in a fierce globalized market. Farmers struggled to make money and also endured a higher cost of living as railroad companies made freight rates expensive and protective tariffs made manufactured goods costly—but these same tariffs did little to protect American farmers or their products from foreign competition. Farmers, feeling ignored by both political parties and uncomfortable with the country's rapid industrialization and the emerging dominance of robber barons began to organize their own political movement.

## The Politics of the Gilded Age

Elections after the Civil War involved the Democratic and Republican Parties. While Republicans typically won the Presidential Elections (Grover Cleveland was the only Democrat elected from 1860-1900), control of Congress was split between the two parties—Democrats usually controlled the House of Representatives, while Republicans usually controlled the Senate.<sup>24</sup> Despite the Republican Party's dominance of Presidential Elections, these elections were typically close in both the popular vote and electoral college with a high turnout among the eligible voting population. Turnout was driven, particularly in cities, by machine politics. These political machines would handout jobs and favors to individuals who supported their campaigns.<sup>25</sup> While political machines were most

<sup>20</sup> "How America's Most Powerful Men Caused America's Deadliest Flood." *History.com*. <https://www.history.com/news/how-americas-most-powerful-men-caused-americas-deadliest-flood>.

<sup>21</sup> Ibid.

<sup>22</sup> "Farmers Revolt in the Populist Era." *Lumen Learning*. <https://courses.lumenlearning.com/suny-ushistory2os2xmaster/chapter/farmers-revolt-in-the-populist-era/>.

<sup>23</sup> "Agricultural Problems and Gilded Age Politics." *Austin Community College*. <https://www.austincc.edu/lpatrick/his1302/agrarian.html>.

<sup>24</sup> "The Political Culture of the Gilded Age." *University of California- Los Angeles*. <https://bit.ly/3T9O91t>.

<sup>25</sup> "Politics in the Gilded Age." *Khan Academy*. <https://bit.ly/3RMuFj4>.

prominent in local politics, similar principles applied at the national level—where presidents were expected to appoint their political supporters to government positions.<sup>26</sup> Positions in the customs and postal service were highly sought-after positions given how lucrative they were. To try and end this unethical system, the Pendleton Civil Service Act was passed in 1883.<sup>27</sup> Covering only 10% of the federal workforce at its passage, the Act required applicants for certain positions to take a competitive exam. The Pendleton Civil Service Act has helped professionalize the federal government civil service and reduce its corruption.

Despite the competitiveness of national elections, each party tended to dominate different regions of the country. The Democratic Party was strongest in the South; while the Republican dominated the Northeast and Upper Midwest.<sup>28</sup> The most competitive states in presidential elections were New York, Ohio, and Indiana—these states typically determined the election and most Presidential and Vice-Presidential candidates during this era had some connection to one of these states.<sup>29</sup> Within states, Republicans were typically supported by African-Americans (who could not vote in the South due to Jim Crow laws, but could in many Northern states), protestants in the North, and Americans who had been in the country for many generations.<sup>30</sup> On the other hands, Democrats were supported by Baptists, German and Irish Catholics, and more recently arrived immigrants.<sup>31</sup>

### **Policy Differences between the Parties**

Given how competitive elections were between the two parties, one might imagine that the two parties had diametrically opposed platforms. Both parties were riddled with corruption and almost universally advanced business interests over the interests of farmers and the American worker. One area of divergence was on the monetary policy, where Democrats were more favorable towards a bimetallic currency, whereas Republicans more typically supported just the gold standard. The country's currency had been on the gold standard, meaning that paper money could be converted into gold at a specific exchange rate. However, having paper money exist in relation to gold meant that more paper money could not be created without either changing the paper money-to-gold exchange rate (i.e., devaluing the paper money) or finding additional deposits of gold to increase the amount of gold the U.S. government held—and thus allowing the U.S. government to print more paper money at the same exchange rate. These debates over monetary policy were important as the Great Plains and Western States typically had a lack of paper money; depressing prices and economic activity and making it more difficult for farmers to pay off their debts. On the other hand, eastern businessmen typically favored the gold standard—and thus the Republican party.

Tariffs were the other major policy division between the parties. Republicans favored protective tariffs that would raise the price of goods imported into the United States—thus making American goods relatively cheaper and prompting Americans to buy American-made goods.<sup>32</sup>

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<sup>26</sup> “Gilded Age politics: patronage.” *Khan Academy*. <https://bit.ly/3CFIV9l>.

<sup>27</sup> “Pendleton Civil Service Act: An Effort to End the Spoils System.” *The Smithsonian*. <https://s.si.edu/3CK0eoL>.

<sup>28</sup> “The Political Culture of the Gilded Age.” *University of California- Los Angeles*. <https://bit.ly/3T9O91t>.

<sup>29</sup> *Ibid.*

<sup>30</sup> “The Age of Political Machines.” *Sage American History*.

<http://sageamericanhistory.net/gildedage/topics/gildedagepolitics.html>.

<sup>31</sup> *Ibid.*

<sup>32</sup> “Politics in the Gilded Age, 1870-1900.” *Lumen Learning*. <https://bit.ly/3eiiA6A>.

Democrats opposed these protective tariffs as they made it more expensive for Americans to afford manufactured goods. Republicans succeeded in passing the McKinley Tariff of 1890, which raised many protective tariff rates by 50%, helping manufacturing businesses largely based in the Eastern United States, and raising costs for the working class and farmers.<sup>33</sup>

Yet, by-and-large, there were few policy differences that distinguished the two parties. With businesses dominant for so long, the Federal government has only recently started to take action against them. In 1890, the Sherman Anti-Trust Act was passed nearly unanimously in Congress and signed into law by President Harrison. According to the National Archives, “The Sherman Anti-Trust Act authorized the federal government to institute proceedings against trusts in order to dissolve them. Any combination “in the form of trust or otherwise that was in restraint of trade or commerce among the several states, or with foreign nations” was declared illegal.”<sup>34</sup> Many companies, such as Standard Oil, had formed Trusts, a legal structure that allowed them to more effectively monopolize entire industries. The Sherman Anti-Trust Act followed the passage of the Interstate Commerce Act of 1887, which regulated shipping and freight prices on railroads.<sup>35</sup> Railroads were crucial conduits for many farmers and businesses in the Midwest and Great Plains, but railroad companies would charge them exorbitant fees for shipping as they often held a monopoly on train lines through entire regions. While both parties generally favored business interests, they would occasionally pass laws that attempted to more effectively regulate corporations.

### **The Populists**

With farmers throughout the country, but principally in the Midwest, Great Plains, and West, unhappy with the Democratic and Republican parties, a new party is being formed. This new ‘Populist Party’ was developed to represent the interest of the country’s farmers. While the party is only in the early stages of development, it has found a wide following throughout the middle of the country. In general, “The Populists believed that the federal government needed to play a more active role in the American economy by regulating various businesses, especially the railroads. In particular, the Populists supported women's suffrage the direct election of United States Senators. They hoped that the enactment women's suffrage and the direct election of senators would enable them to elect some of their members to political office. Populists also supported a graduated income tax, government ownership of the railroads, improved working conditions in factories, immigration restrictions, an eight-hour workday, the recognition of unions, and easier access to credit.”<sup>36</sup> The Populist Party is likely going to nominate a Presidential Candidate in the Election of 1892 if they feel their interests are not sufficiently addressed by either party’s nominee.

### **The Election of 1892**

1892 is a presidential election year in the United States. Incumbent President Benjamin Harrison, a Republican, is seeking reelection—but is considered at risk of failing to be renominated for president

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<sup>33</sup> “The McKinley Tariff of 1890.” *United States House of Representatives*. <https://bit.ly/3CFuGQL>.

<sup>34</sup> “Sherman Anti-Trust Act (1890).” *The National Archives*. <https://www.archives.gov/milestone-documents/sherman-anti-trust-act>.

<sup>35</sup> “The Interstate Commerce Act Is Passed.” *United States Senate*. [https://www.senate.gov/artandhistory/history/minute/Interstate\\_Commerce\\_Act\\_Is\\_Passed.htm](https://www.senate.gov/artandhistory/history/minute/Interstate_Commerce_Act_Is_Passed.htm).

<sup>36</sup> “Populist Part.” *Ohio Central History*. [https://ohiohistorycentral.org/w/Populist\\_Party](https://ohiohistorycentral.org/w/Populist_Party).

at the Republican Convention and vulnerable to Democrats in the general election in the autumn. Harrison has lost political support as Republicans lost the House of Representatives in 1890 and many Americans view him as beholden to the interests of elite business people.<sup>37</sup> As with most elections since the end of the Civil War, the 1892 election is expected to be a difficult and contentious election with neither candidate winning the election by very many votes.

## Items for Summit Members to Consider

*The goal of this Summit is to bring together prominent representatives of three primary sociopolitical and economic interests in the last three decades – industry, labor, and government – to develop a cohesive plan of action to recover from recent economic downturns, plan for a new era of development in the 20th century, and, of course, respond to any crises that arise across the nation in any of these interests' spheres of control.*

- How should different economic interests be balanced moving forward? Is it possible to compromise between business executives and the new progressive policies emerging?
- Is it in the government's interest to work to close the growing wealth gap? Is it the government's responsibility to act or is it the industry shareholders job to respond?
- How can the United States continue its current trend of rapid industrial growth to compete in international markets while balancing the demands of workers? When workers' demands are not met, how should other parties respond? Is it possible to take coordinated action to protect against economic panic reminiscent of the Panic of 1873?
- What can be done about the development of corporate-controlled political machines, if anything should be done? Do business executives have a legitimate role in the development of State and Federal legislation and policy?
- The 1892 Presidential election this November will be a determining factor in the economic future of the United States. With each region of the country as well as major political influences having vastly different demands and ways to influence the results of the election, how will Presidential candidates shape their platform? What are your individual interests, how can you push those interests, and who will you vote for if you are not running?

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<sup>37</sup> "United States presidential election of 1892." *Encyclopedia Britannica*. <https://bit.ly/3ClrubG>.