DEFINING MOMENTS
THE GILDED AGE

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Chapter Three
CAPTAINS OF INDUSTRY

> I believe the true road to preeminent success in any line is to make yourself master in that line. I have no faith in the policy of scattering one's resources, and in my experience I have rarely if ever met a man who achieved preeminence in money-making—certainly never one in manufacturing—who was interested in many concerns. The men who have succeeded are men who have chosen one line and stuck to it.
>
> —Steel magnate Andrew Carnegie,
> *The Autobiography of Andrew Carnegie*

In the unregulated financial environment of the Gilded Age, many individuals manipulated the system to their advantage. While some industrialists deserved the "robber baron" label, historian H. Wayne Morgan cautioned that the stereotype of greedy, power-hungry manipulator "must be balanced with a fuller picture, showing the new technology he often brought to his industry, the wealth and resources he developed for the economy in general, the social good he sometimes did with his money, offsetting the bitter fact that he paid little in taxes."[1]

The most successful businessmen of the Gilded Age squeezed every drop of extra cash from their enterprises through superior equipment, careful management, and large volumes of business. James J. Hill, for instance, built his Great Northern Railway without federal subsidies by carefully surveying the best routes, thus lowering building costs; using quality materials, thus ensuring lower maintenance costs; and waiting to build until his route was sufficiently populated to support the line, thus bringing quick profits. As a result, one historian noted, "Hill's [rail]road was the best built, the least corrupt, the most popular, and the only transcontinental never to go bankrupt."[2]

Railroads revolutionized business management along with transportation. By nature, railroads were sprawling enterprises that had to coordinate carefully to prevent tracks and trains from lying idle and wasting money. Many railroads adopted a military structure, with autonomous regional divisions reporting to a central staff. Through careful record-keeping and use of the telegraph's instant communications capacity, companies could integrate their efforts over huge distances. This pyramidal structure was also central to the new corporations, as a single board of directors took responsibility for directing the capital of thousands of investors.

Corporations grew larger and more powerful as they found new ways to expand operations, generate profits, and take advantage of the public's growing taste for material comforts. The most successful of these Gilded Age enterprises were commanded by three men: John D. Rockefeller, Andrew Carnegie, and J. P. Morgan. These powerful industrialists were "walking whirlwinds," according to one historian. "Over some twenty-five years they forced the pace in all the critical underpinnings of the modern industrial state—steel, oil, railroads, coal, telegraphs—constantly driving to larger scales and lower costs, constantly attacking the comfortable settling points where normal businessmen paused to enjoy their success."[3] Their success was often portrayed as a Darwinian struggle, a survival of the fittest, and many believed these titans came out on top because of superior talent. Others criticized them as ruthless monopolists who crushed anyone who got in their way. While the truth lay in between these extremes, there is no doubt that these men captured the imagination of their era.

Rockefeller and Standard Oil

When John D. Rockefeller was born (see Rockefeller biography, p. 156), few would have predicted a future as one of America's wealthiest tycoons. The son of a shady traveling salesman, Rockefeller nonetheless grew up with a dedicated work ethic, and by the early 1860s he had gained a foothold in the relatively young industry of oil refining. Rockefeller soon discovered that his Cleveland-based refinery held the potential for great profit. While crude oil prices fluctuated wildly, the market for refined products like kerosene was only growing. It was so cheap to build and staff a refinery that the initial

John D. Rockefeller built the Standard Oil Company into a business empire by taking over competitors and making deals with railroad lines.

investment could be recouped after the first production run. In addition, Cleveland's location—close to oil fields yet serviced by two major railroads—made it an ideal distribution center. Rockefeller built on these advantages by adopting new technology early, hiring the best talent, developing new petroleum by-products, making his own barrels, and acquiring his own storage and loading facilities. By cutting waste and underselling his competitors to gain market share, Rockefeller soon had the city's largest refinery.

In 1870 Rockefeller incorporated his business with five other small refineries as Standard Oil. By then his company was refining some 600 barrels of oil every day, about 5 percent of the national total. Rockefeller continued to improve his product and increase his refining capacity, expanding to the west and south and setting up an export business in New York. He reduced transport costs through shrewd negotiation: in exchange for a price rebate, he would guarantee a railroad a specific volume of shipping and allow it to use his loading facilities and tanks. When other refiners could not match his terms—or his profits—he bought them out. By 1872, Standard Oil's refining capacity had jumped to 12 million barrels a year.

"All seem to have bought into [Rockefeller's] quiet insistence that consolidation was the path to salvation; that the Standard would be the entity that survived the mergers; and that he was the man to lead them."

In 1871 Thomas A. Scott of the Pennsylvania Railroad approached Rockefeller with a proposal to collaborate on a new business venture. The South Improvement Company (SIC) would be jointly owned by railroads and refiners and would set production and shipping quotas for member companies. The plan was to sharply raise shipping rates for non-members. Besides receiving a 50 percent rebate for shipping his oil over SIC rail lines, Rockefeller would also receive a "drawback": a 40 percent rebate on competitors' shipments. In addition, the member railroads would pass along information to Standard Oil on its competitors' shipping schedules and customers. The arrangement appealed to Rockefeller, who was looking for ways to control the oil industry's boom-and-bust cycle of overproduction, lower prices, and business failures. If he could not convince other refiners to enter his alliance, he was happy to drive them out of business instead.

The SIC operated in secret until its planned rate increases were accidentally published in early 1872. Rockefeller's competitors threatened legal action, the press vilified Standard Oil and Rockefeller, and crude oil producers threatened to boycott SIC railroads and build pipelines to ship their product to market. The railroad owners blinked first, dropping rates. Pennsylvania's legislature also revoked the SIC's charter. Even though crude oil producers refused to sell to Standard Oil refineries, Rockefeller rode out the controversy. By the end of 1872 another bout of overproduction allowed him to buy 22 of Cleveland's 26 refineries. He sold many for scrap and consolidated the rest into six newly designed facilities.

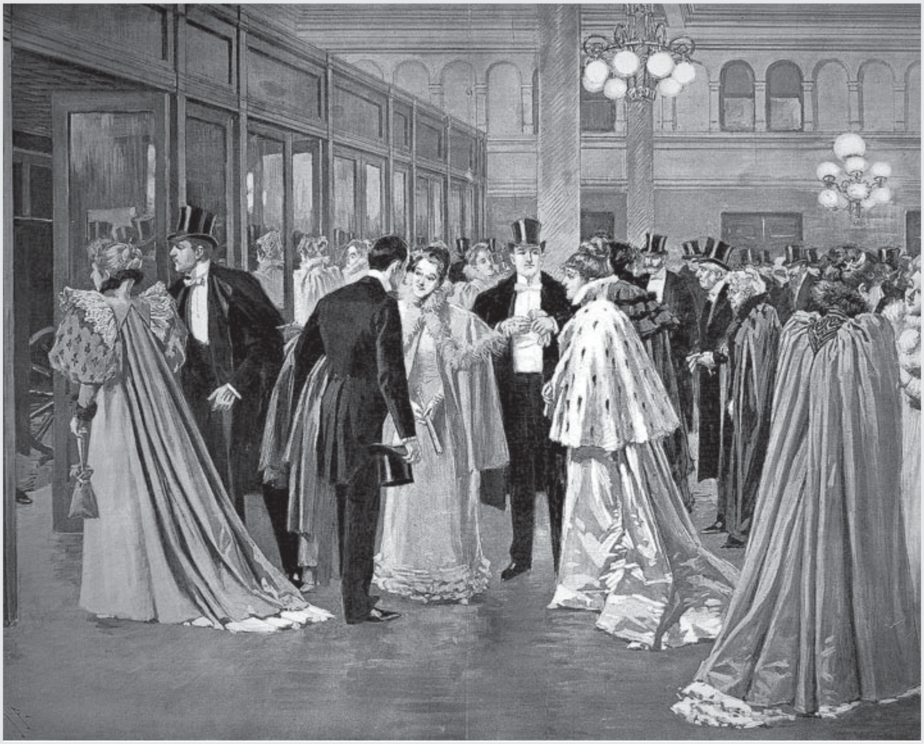
Rockefeller Builds an Empire

Although the SIC failed, it convinced Rockefeller that pooling and rebate schemes could produce windfall profits. He thus created a new secret rebate agreement with railroads while simultaneously gobbling up an ever larger share of the nation's refining business. In 1874 and 1875 he brought major refineries from New York, Pittsburgh, and Philadelphia into Standard Oil with little struggle. "All seem to have bought into his quiet insistence that consolidation was the path to salvation; that the Standard would be the entity that survived the mergers; and that he was the man to lead them,"[4] as one historian recounted. Standard Oil took over an additional 24 companies in 1876 and 35 more in 1877. In many cases Rockefeller kept the acquisitions secret, leaving the new partner with its old name while allowing it to share Standard's freight rebates. If potential targets were reluctant to merge—and few were, after seeing the profits on Standard's books—Rockefeller used price wars, railroad drawbacks, industrial espionage, and even political bribery to force them to their knees. By 1878, Standard Oil controlled 80 percent of the U.S. refining trade, a number that increased to 90 percent in the 1880s. Economists call Rockefeller's method of gaining dominance of an industry—through mergers with competing companies in the same line of business—"horizontal integration."

At the same time that Rockefeller tightened his stranglehold over American oil refining, he also looked to further expand his business empire through what economists refer to as "vertical integration"—merging with companies in related lines of business, such as oil transport and retail oil sales. In 1872 Standard Oil absorbed United Pipelines, and by 1876 the company controlled almost half of the existing pipelines that delivered refined oil to terminals and shipping points. The company also moved into distribution, cutting out wholesalers and middlemen by opening its own stores. If railroads or pipelines tried their own vertical expansion into refining, Rockefeller was quick to shut them out.

Gilded Age Philanthropy

Although greed and excess defined much of the Gilded Age, unprecedented fortunes also led to unprecedented charity. As Andrew Carnegie explained (see "Andrew Carnegie's 'Gospel of Wealth,'" p. 177), philanthropy was "the true antidote for the temporary unequal distribution of wealth, the reconciliation of the rich and the poor." Led by Carnegie's example, captains of industry donated millions of dollars to museums, libraries, universities, concert halls, and other cultural institutions.



Gilded Age business leaders used their wealth to support such institutions as the Metropolitan Opera.

Carnegie began by building libraries, spending $38 million to fund 2,811 libraries in the United States and Europe. Over the years he gave his adopted hometown of Pittsburgh $28 million to build schools, museums, assembly rooms, and the Carnegie Institute, a technical training school. He set up educational trusts, public parks, and libraries in his native Scotland and established commissions for peace and international cooperation in Europe. After selling his company in 1901, Carnegie donated $4 million in bonds to a pension fund for his workmen, along with $1 million to fund the libraries and halls he had built for them.

A tithing Christian, John D. Rockefeller gave away $550 million during his lifetime, including $35 million to the University of Chicago. His most notable cause was the Rockefeller Foundation (founded in 1913), which became a steadfast supporter of education, public health, scientific research, and the arts. J. P. Morgan's notable donations included $500,000 to build a church and $1 million for a hospital serving poor pregnant women. Morgan was also a major patron of New York City's Metropolitan Museum of Art.

Many Gilded Age philanthropists are remembered today for their educational bequests. Some financed professorships or specialty training schools, while others founded entire universities. Western Union founder Ezra Cornell, Baltimore & Ohio Railroad financier Johns Hopkins, Central Pacific Railroad president Leland Stanford, and New York Central Railroad owner Cornelius Vanderbilt all endowed private universities. These Gilded Age names live on, connected with some of the finest educational institutions in the country.

Sources:

Carnegie Institute of Science. "Andrew Carnegie's Organizations." Available online at http://carnegiescience.edu/andrew_carnegies_organizations.

Rockefeller Foundation. "Our History—A Powerful Legacy." Available online at http://www.rockefellerfoundation.org/who-we-are/our-history.

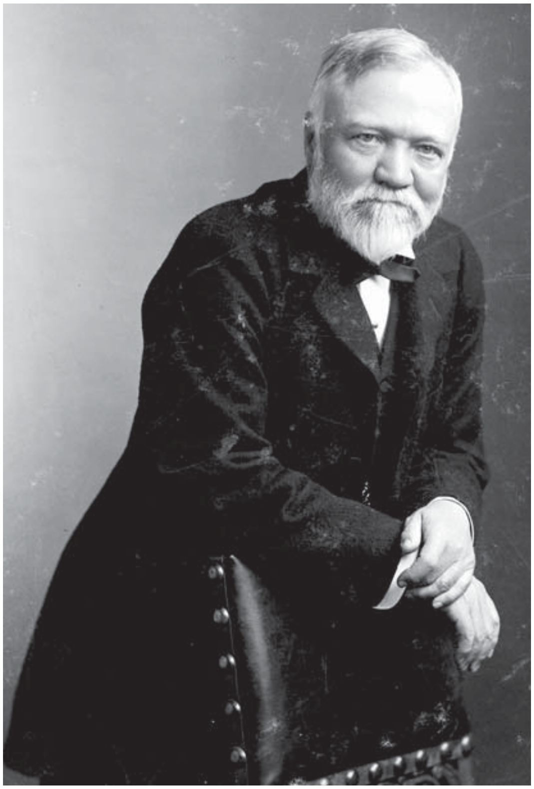
By the early 1880s Rockefeller had business interests scattered throughout the East Coast and Midwest. Since Ohio laws prohibited individuals from owning companies in multiple states, Rockefeller decided that a reorganization was in order. In 1882 his lawyers devised a new form of business organization called a trust, which created a holding company for the various state Standard Oil companies. The board of trustees of the holding company took control of the stock of more than 40 companies, whose shareholders received "trust shares" in return. Although the individual companies were run somewhat independently, the trust decided who sold in what region, which plants should open or close, and coordinated the buying of crude oil. Over the next few years, the trust closed 30 underperforming refineries and built three massive new facilities. Its refining costs dropped to 1.5 cents per gallon, then to only half a cent. By 1886 Standard Oil posted net earnings of $15 million per year. Some states enacted monopoly laws in an effort to limit the trust's operations or outlaw it altogether. But Standard Oil fended off these threats, either by using high-priced lawyers to win its court cases or by reincorporating in states with looser financial laws.

During this same period, Rockefeller and Standard Oil became the targets of "muckraking" investigative journalists and Congressional inquiries (see "Exposing the Price-Fixing Schemes of the 'Lords of Industry,'" p. 170). An 1886 Senate committee concluded that the company represented the "perfection of corporate greed in its fullest development."[5] Although Standard Oil did earn huge profits—from 15 to 80 percent return on investment during the 1890s—it also brought down wholesale oil prices over twenty years, from 58 cents per gallon to only 8 cents. As Rockefeller wrote to a colleague in 1885, "We must ever remember we are refining oil for the poor man and he must have it cheap and good."[6] Rockefeller was an innovator—the trust format was increasingly adopted by various industries—who for the most part worked within the laws of the time. Because he built "a modern organization that was both highly decentralized and highly unified," one historian noted, Rockefeller "has a claim to be not only the first great corporate executive but one of the greatest ever."[7]

Andrew Carnegie and Steel

The rags-to-riches story of Andrew Carnegie (see Carnegie biography, p. 129) was another tale that captured the American imagination during the

Gilded Age. A self-taught Scottish immigrant, Carnegie was mentored by Thomas A. Scott of the great Pennsylvania Railroad and quickly rose through the ranks. His early investments in shipping and construction soon exceeded his railroad salary, and in 1865 Carnegie left the Pennsylvania Railroad to focus on his own businesses.



Andrew Carnegie acquired interests in every aspect of steel production, from iron ore to finished products.

Carnegie became a major player in iron and bridge-building through tough negotiating, superior products, and on-time construction. He knew, however, that the future of railroad construction was in steel. This material made stronger and longer-lasting rails than iron. After careful research, he decided to build a plant that would use the Bessemer method of producing steel, a technique new to America. He raised $700,000 to begin construction and hired engineer Alexander Holley, Bessemer's foremost champion, to design the plant. He named his new plant the J. Edgar Thomson Works, after the president of the Pennsylvania Railroad. The plant opened in 1875, and by its second full year of operation was returning 20 percent on its original investment.

Carnegie's success also came from finding the best technical experts and implementing revolutionary methods of management. Upon Holley's recommendation, he hired "Captain" William R. "Bill" Jones, a self-taught mechanic who would patent more major improvements to the Bessemer process than any of his contemporaries. Under his guidance, the Thomson works implemented several time-saving mechanisms, increasing efficiency. Carnegie also hired a chemist to analyze steel output and iron ore. Most importantly, he brought "railroad-style accounting" to manufacturing. When Carnegie first entered the iron industry, he was appalled at the shoddy recordkeeping of his competitors. "I heard of men who thought their business at the end of the year would show a loss and had found a profit, and vice-versa," he recalled in his autobiography. "I felt as if we were moles burrowing in the dark, and this to me was intolerable."[8] Instead, he tracked costs at every stage of production, found new ways to use scrap materials, and discovered the most efficient methods of running his equipment. Being able to calculate the lowest profitable price for his steel meant Carnegie could undersell—and outclass—his competition.

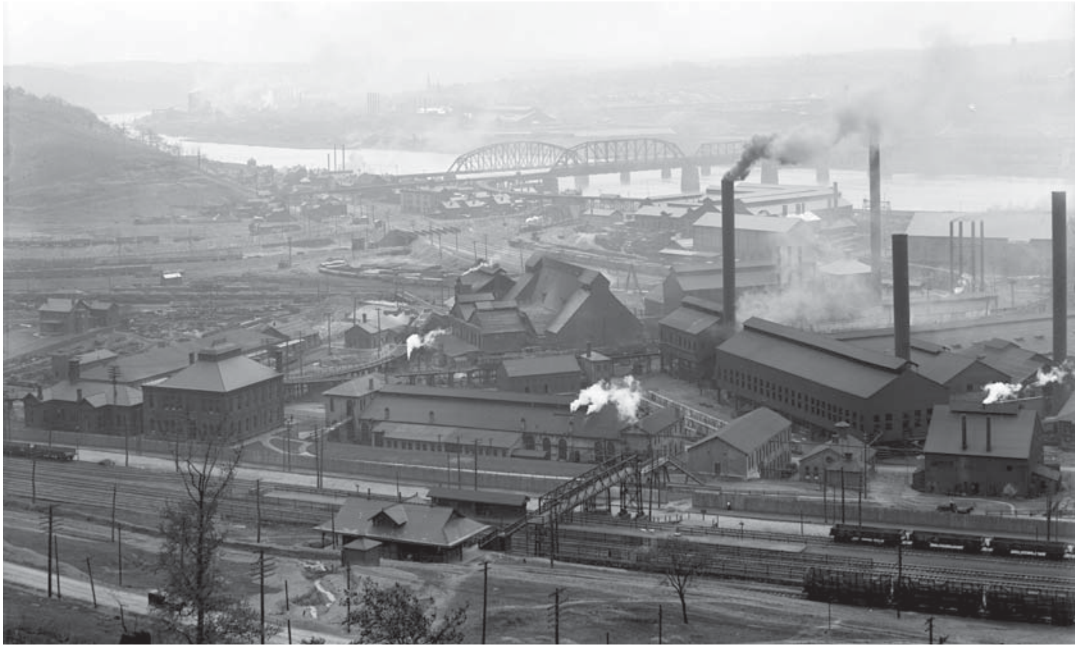
Carnegie Dominates through Vertical Integration

Unlike Rockefeller, who first dominated his industry through horizontal integration—pooling with or taking over his competition—Carnegie succeeded through vertical integration. He established a presence in all aspects of steel production, from iron ore to finished product. He rarely bought out rival steel makers, although he did purchase the Homestead and Duquesne plants from other companies when he was looking to expand production. By 1880, the Thomson steel works were producing profits of 130 percent per year. Although Carnegie Steel earned higher profits than its competitors—and Carnegie himself held almost 60 percent of the company's stock—Carnegie Steel rarely paid dividends of more than 1 percent. Instead, Carnegie poured his profits back into his operations, retiring debt and investing in new technologies and plants.

One resource crucial to steel-making was coke, a type of coal that has been heated to eliminate waste elements and increase its carbon content, which is needed to help turn iron into steel. One of Carnegie's biggest coke suppliers was Henry Clay Frick, who controlled 80 percent of Pennsylvania's huge coal fields and coke ovens. His near-monopoly also made him a potential threat to Carnegie, so the steel magnate bought half of Frick Coke in 1883 and made Frick a partner. Six years later Carnegie named the shrewd young manager chairman of their joint coke and steel company.

Carnegie also grew the company by expanding the number of products Carnegie Steel offered for sale. Besides steel rails—a market subject to fluctuations in the railroad business—Carnegie Steel came to produce structural beams for buildings and plated armor for ships. Carnegie won contracts to provide steel for the Brooklyn Bridge, the Washington Monument, and Chicago's Home Insurance Building, the first skyscraper in the United States.

Since he controlled almost every aspect of the steel-making process, Carnegie was able to cut costs at every step and maximize profits. Meanwhile,



Carnegie Steel, including the state-of-the-art Thomson Works in Pennsylvania, produced one-quarter of the world's steel by 1900.

Carnegie Steel's enormous financial resources enabled it to slash prices whenever it pleased. Many smaller competitors were driven out of business by this strategy, for they could not match Carnegie's prices without falling deeply into debt. Once the competitor had been vanquished, Carnegie would put its prices back up again.

Within four years of the opening of Thomson Steel Works, the plant was rolling 10,000 tons of steel every month. Carnegie's companies expanded production from 322,000 tons in 1890 to four million tons in 1900—accounting for almost half of all steel produced in the United States and a quarter of world production. Profits likewise jumped, from $1 million in 1883 to $40 million in 1900. By the time Carnegie was ready to retire from the steel business, only one financier had the clout to arrange the deal: J. P. Morgan.

J. P. Morgan and Finance

Unlike Rockefeller and Carnegie, John Pierpont Morgan (see Morgan biography, p. 150) was born into wealth and privilege. His banker father found experienced partners to support his early banking efforts, but Morgan quickly found success on his own. By 1873 Morgan's banking firm was the nation's leading seller of government securities abroad.

Besides selling securities, Morgan became known for lending to American industries, especially railroads. Unlike Rockefeller's oil empire and Carnegie's steel business, railroads relied on stocks and bonds to raise capital—and on bankers to sell those stocks and bonds. Morgan protected his railroad interests by placing his trusted finance men on their managing boards. "In practice, their guardianship came to mean everything from giving financial advice and bailing out bankrupt roads to firing and hiring managers, appointing new directors, fighting off hostile takeover attempts, and trying to control duplicate building and 'ruinous' competition,"[9] one biographer noted. Morgan's reputation for judicious management brought him a huge client: William H. Vanderbilt, who had inherited majority control of the New York Central from his late father, Cornelius. In 1879, when the New York legislature considered making single-family control of railroads illegal, Vanderbilt asked Morgan to arrange the sale of the line.

Morgan earned a seat on New York Central's board after the sale and set about reducing the unbridled building and competition that kept the railroad industry in a state of perpetual chaos. He negotiated a swap of lines between the Pennsylvania and the New York Central to reduce competition, and he invited other railroads to participate in a pool to split business and set rates. After the federal government made such arrangements illegal, Morgan held a summit of owners in early 1889. The result was a "gentlemen's agreement" between railroads—representing some two-thirds of U.S. railroad mileage—to regulate rates, settle disputes, and impose fines on railroads that did not behave themselves. Bankers like Morgan would enforce the agreement by holding positions on railroad boards and refusing to fund duplicate routes. The Panic of 1893 brought several failing companies under Morgan's control. By 1898, one-sixth of total U.S. mileage had been "morganized," including the Erie, the Southern, the Northern Pacific, the Baltimore & Ohio, and the former Vanderbilt lines.

The Nation's Banker

Morgan's reputation as the country's leading banker was cemented in 1895, when federal gold reserves tightened following the Panic of 1893. As

J. P. Morgan, known as "The Nation's Banker," worked out of this stately office building in New York City.

foreign investors worried about American markets, they cashed in millions of securities and took gold out of the country. Because the dollar was backed by gold, the U.S. Treasury was supposed to hold $100 million in gold reserves, but by early 1895 the reserve had dropped to $45 million. When Congress would not approve the sale of public bonds, Morgan stepped in to arrange a private loan to the Treasury. Not only did his banking consortium subscribe to $65 million in bonds, Morgan made sure that most of the gold stayed in the United States. Although critics complained that his 3.75 percent interest rate was much too high, Morgan's actions restored European confidence in U.S. markets. In 1907, the semi-retired Morgan stepped in again, halting a banking panic by coordinating contributions from banks and brokerages to shore up businesses at risk. This kind of work would later be done by the Federal Reserve, a centralized government banking system created in 1913, the year Morgan died.

By 1898, one-sixth of total U.S. railroad mileage had been "morganized," or brought under the control of leading Gilded Age financier J. P. Morgan.

Morgan's biggest banking deal created the world's first billion-dollar corporation. Alarmed by potentially ruinous competition in the steel industry, Morgan attended a dinner where Carnegie Steel president Charles M. Schwab spoke of the benefits of a possible steel supermerger. After Morgan and Schwab discussed the possibility of a merger between Carnegie Steel and fellow industry giant Federal Steel, Schwab brought the merger proposition to his boss, who was pondering retirement. Carnegie demanded $480 million for his company, including $160 million in gold bonds and $240 million in the new company's stock. Morgan agreed to his terms, and in March 1901 he announced the formation of U.S. Steel, which would be capitalized at $1.4 billion dollars.

With Carnegie on board, Morgan pursued other steel interests Schwab had indicated were crucial to the new company. He bought out John W. Gates of American Steel & Wire Co., and he negotiated with Rockefeller for his Lake Superior Consolidated Iron Mines, which controlled much of the Mesabi iron ore range. By the time Morgan was done, U.S. Steel controlled 37 percent of American pig-iron production, 74 percent of Bessemer steel production, 55 percent of open-hearth steel production, and around 50 percent of various steel products. Investors were eager to buy into U.S. Steel's initial public stock offering. Even as the price of common stock rose 45 percent, Morgan sold over 3 million shares in a single day and over 10 million in one week. For his efforts, Morgan earned $10 million in fees for his company.

Morgan's creation of U.S. Steel marked the pinnacle of a new movement towards consolidation and control of the wild American economic landscape. For some critics, however, this movement was not seen as consolidation but as monopoly, which had long been reviled by Americans as an unfair restraint of trade. To them, one historian noted, the U.S. Steel deal was "the culmination of a quarter-century of financial intrigue and political chicanery by leading industrialists, the so-called robber barons of the Gilded Age, to achieve oligopoly, dominance by plutocrats of a particular industry."[10] Those critics argued that reform and regulation were desperately needed to counter the dangers of monopoly.

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1 Morgan, H. Wayne. *The Gilded Age.* Syracuse, NY: Syracuse University Press, 1963, pp. 1-2.
2 Folsom, Burton W., Jr. *The Myth of the Robber Barons,* 3rd edition. Herndon, VA: Young America's Foundation, 1996, p. 17.
3 Morris, Charles R. *The Tycoons: How Andrew Carnegie, John D. Rockefeller, Jay Gould, and J. P. Morgan Invented the American Supereconomy.* New York: Times Books, 2005, p. 389.
4 Morris, p. 151.
5 Quoted in Cashman, Sean Dennis. *America in the Gilded Age: From the Death of Lincoln to the Rise of Theodore Roosevelt,* 3rd edition. New York: New York University Press, 1993, p. 53.
6 Quoted in Folsom, p. 83.
7 Morris, p. 158.
8 Carnegie, Andrew. *The Autobiography of Andrew Carnegie.* London: Constable & Co., 1920, p. 135. Available online at http://www.gutenberg.org/files/17976/17976-h/17976-h.htm.
9 Strouse, Jean. *Morgan: American Financier.* New York: Random House, 1998, p. 197.
10 Cashman, p. 38.

Eugene V. Debs (1855-1926)
Founder of the American Railway Union and the Socialist Party of America

Eugene Victor Debs was born on November 5, 1855, in Terre Haute, Indiana. His parents, Jean Daniel and Marguerite (Bettrich) Debs, had come to America from Alsace, France, in 1849. They eventually opened a grocery store in Terre Haute and raised six children. Debs attended local schools until age fourteen, when he left to work for the Terre Haute & Indianapolis Railway. His dangerous job as a fireman worried his mother, so in 1874 he found work as a billing clerk in a grocery warehouse. Debs furthered his studies by attending business college at night, joining a debating society, and reading widely.

Debs became a founding member and secretary of the local lodge of the Brotherhood of Locomotive Firemen (BLF) in 1875. Three years later he became associate editor of the BLF's *Locomotive Firemen's Magazine,* working at night to fulfill his duties. Debs also became involved in Democratic politics, and in the fall of 1879 he was elected city clerk, a post he held for four years. From then on he devoted all his time to political and union activities. In 1880 he became national secretary-treasurer of the BLF and editor of the magazine, and in 1885 he was elected to the Indiana House of Representatives. That year he also married Katherine Metzel.

Becomes Influential Union Leader

Debs quickly grew frustrated in the Indiana Assembly. Time after time he introduced bills to reform corporate practices and increase worker rights, only to see them defeated or watered down by special interests. He left after one term and spent much of his time traveling the country, helping organize local chapters for the BLF and other unions. He hoped to increase cooperation between trades and thus avoid the infighting that undermined negotiations with management. Debs was generally conservative as a union leader, favoring negotiation and arbitration over strikes, which frequently degenerated into violence. He also urged political action to improve working conditions for all laborers.

The struggles between and within various trade groups convinced Debs of the need for an industry-wide union for both skilled and unskilled railroad workers. He resigned as BFL secretary-treasurer in 1892 and the following year helped found the American Railway Union (ARU), becoming its first president. The new union had immediate success in a conflict with the Great Northern Railway, which announced multiple wage cuts in 1894. After overseeing an eighteen-day strike that unfolded without a hint of violence, Debs convinced a coalition of businessmen to call for arbitration. The ARU received most of its wage demands in the ensuing settlement. This success led to rapid growth, as the ARU reached 150,000 members in its first year.

When workers in the Pullman Palace Car Company organized a strike to protest wage cuts in May 1894, it asked the ARU for a sympathy boycott of Pullman cars. Although Debs counseled against a strike, fearing that such an action might well lead to violence, rank-and-file members enthusiastically joined the boycott and refused to move trains carrying Pullman cars. Debs supported the union as work stoppages halted trains around the country. The federal government responded to the crisis by sending in troops and charging ARU leaders, including Debs, with conspiracy to obstruct the mails. The prosecutions continued even after the strike and boycott failed.

Moves to Socialism

Prosecutors ended up dropping the conspiracy charges against Debs and other union leaders in the middle of the trial. “The jury had been packed to convict. When our evidence began to come in, their eyes fairly bulged with astonishment,” Debs recalled. “The jurors realized that they had been steeped in prejudice and grossly deceived.”[1] Nevertheless, the ARU leader served six months in prison for contempt of court. He spent much of this time reading about labor problems and Socialist theory, which advocated giving workers greater control and ownership of factories, machinery, and other means of production. Disillusioned by the defeat of Democratic and Populist Party presidential candidate William Jennings Bryan in 1896, Debs met with remnants of the ARU and established the Social Democratic Party. In 1901 it became the Socialist Party of America (SPA).

While differing Socialist factions struggled to shape the goals of the movement, Debs remained the country’s most popular and visible Socialist. He was the party’s overwhelming choice to run for president in both 1900 and 1904. In the first election he received fewer than 88,000 votes, but in the second he earned over 400,000 votes, or around 3 percent of the popular vote. Debs also helped found the Industrial Workers of the World union in 1905, but he soon split with the group over its confrontational tactics. In 1908 Debs ran for president again, and this time his presidential campaign garnered almost 421,000 votes. As Progressive reform causes gained popularity, Debs's fourth campaign for the White House in 1912 earned him over 900,000 votes, almost 6 percent of the popular vote.

In declining health after 1912, Debs alternated occasional lecture tours with periods of recuperation at home and at sanitariums. He refused the SPA's presidential nomination in 1916, running unsuccessfully for a seat in the U.S. House instead. He spoke out against U.S. involvement in World War I, and in 1918 he was convicted of sedition under the recently passed Espionage Act after he gave an antiwar speech in Canton, Ohio. Debs did not mount a defense against the charges. Instead, he declared that "if it is a crime under the American law, punishable by imprisonment, for being opposed to human bloodshed, I am perfectly willing to be clothed in the stripes of a convict and to end my days in a prison cell."[2] The Supreme Court upheld his conviction in 1919 and Debs began a ten-year sentence in federal prison. Despite being stripped of his citizenship, Debs again received the SPA's nomination for president in 1920. Even as a prisoner, Debs earned almost 920,000 votes, or 3 percent of the total votes cast that year.

Debs's health further deteriorated in prison, but he refused to accept a conditional release. "While there is a lower class, I am in it," he said. "While there is a criminal element, I am of it; while there is a soul in prison, I am not free."[3] President Warren G. Harding commuted the activist's sentence on Christmas Day, 1921. Debs spent the next few years writing on prison reform, labor, and Socialist issues. The movement had fractured irreparably by then, however, and he refused to support the American Communist Party. Debs died on October 20, 1926, at a Chicago-area sanitarium. He is remembered as a major figure in the development of labor unions and the movement toward progressive reform of American industry. His leadership inspired millions of Americans to believe in his dream of "the emancipation of the working class and the brotherhood of all mankind."[4]

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Notes:

[1] Debs, Eugene V. *Debs: His Life, Writings and Speeches.* Girard, KS: The Appeal to Reason, 1908, p. 236.

[2] Quoted in Karsner, David. *Debs: His Authorized Life and Letters.* New York: Boni & Liveright, 1919, p. 48.

[3] Quoted in Ginger, Ray. *The Bending Cross: A Biography of Eugene Victor Debs.* Chicago: Haymarket Press, 2007, p. 374.

[4] Debs, Eugene V. "The Canton, Ohio, Antiwar Speech." *The Call,* June 16, 1918. Available online at http://www.marxists.org/archive/debs/works/1918/canton.htm.

The Glitter of Gilded Age High Society

The economic free-for-all of the Gilded Age created hundreds of new millionaires, many of whom aspired to reach the peak of American high society in New York City. Society events were occasions for these millionaires to display their newfound wealth in hopes of impressing the country's most prominent "old-money" families. In 1883 Mrs. William K. Vanderbilt, wife of the grandson of railroad tycoon Cornelius, planned the most extravagant ball New York society had ever seen. The costume ball was held in the Vanderbilts' brand-new, $3 million mansion on Fifth Avenue, with the festivities costing at least $250,000. The ball was the talk of the town and produced ostentatious displays of wealth, as this article from the New York Times *makes clear.*

The Vanderbilt ball has agitated New York society more than any social event that has occurred here in many years. Since the announcement that it would take place, which was made about a week before the beginning of Lent, scarcely anything else has been talked about. It has been on every tongue and a fixed idea in every head. It has disturbed the sleep and occupied the waking hours of social butterflies, both male and female, for over six weeks, and has even, perhaps, interfered to some extent with that rigid observance of Lenten devotions which the Church exacts. Amid the rush and excitement of business men have found their minds haunted by uncontrollable thoughts as to whether they should appear as Robert Le Diable, Cardinal Richelieu, Otho the barbarian, or the Count of Monte Cristo, while the ladies have been driven to the verge of distraction in the effort to settle the comparative advantages of ancient, medieval, and modern costumes, or the relative superiority, from an effective point of view, of such characters and symbolic representations as a Princess de Croy, Rachel, Marie Stuart, Marie Antoinette, the Four Seasons, Night, Morning, Innocence, and the Electric Light. Invitations have, of course, been in great demand, and in all about 1,200 were issued.

As Lent drew to a close, everybody having decided what he or she was going to wear, the attention of the select few turned from the question of costumes to the settlement of the details of the ball itself and the practicing of the parts assigned to them in the various fancy quadrilles [dances] decided on to make the most conspicuous features of the entertainment. The drilling in these quadrilles have been going on assiduously in Mrs. William Astor's and other private residences for more than a week, while prospective guests not so favored as to be able to witness these preliminary entertainments have had to content themselves with recounting such items of information as could be extracted from the initiated.…

Inside, long before the ball commenced, the house was in a blaze of light, which shown upon profuse decorations of flowers. These, which were by Klunder, were at once novel and imposing. They were confined chiefly to the second floor, although throughout the hall and parlors on the first floor, were distributed vases and gilded baskets filled with natural roses of extraordinary size, such as the dark crimson Jacqueminot, the deep pink Glorie de Paris, the pale pink Baroness de Rothschild and Adolphe de Rothschild, the King of Morocco; the Dutchess of Kent and the new and beautiful Marie Louise Vassey. But a delightful surprise greeted the guests upon the second floor, as they reached the head of the grand stairway. Grouped around the clustered columns which ornament either side of the stately hall were tall palms overtopping a dense mass of ferns and ornamental grasses, while suspended between the capitals of the columns were strings of variegated Japanese lanterns. Entered through this hall is the gymnasium, a spacious apartment, where supper was served on numerous small tables. But it had not the appearance of an apartment last night; it was like a garden in a tropical forest. The walls were nowhere to be seen, but in their places an impenetrable thicket of fern above fern and palm above palm, while from the branches of the palms hung a profusion of lovely orchids, displaying a rich variety of color and an almost endless variation of fantastic forms. In the centre of the room was a gigantic palm, upon whose umbrageous [shade-providing] head rested a thick cluster of that beautiful Cuban vine, vougen villa, which trailed from the dome in the centre of the ceiling. To make the resemblance to a garden more complete, two beautiful fountains played in opposite corners of the apartment. The doors of the apartment, thrown back against the walls, were completely covered with roses and lilies of the valley.…

The guests on arriving found themselves in a grand hall about 65 feet long, 16 feet in height, and 20 feet in width. Under foot was a floor of polished and luminous Echallion stone, and above them a ceiling richly paneled in oak. Over a high wainscoting of Caen stone, richly carved, are antique Italian tapestries, beautifully worked by hand. Out of this hall to the right rises the grand stairway, which is not only the finest piece of work of its kind in this country, but one of the finest in the world. The stairway occupies a space 30 feet square, the whole structure of the stairway being of the finest Caen stone, carved with wonderful delicacy and vigor. It climbs by ample easy stages to a height of 50 feet, ending in a pendentive dome. Another stairway, also in Caen stone, leading from the second to the third story, is seen through a rampant arch, with an effect which recalls the unique and glorious stairway of the Chateau of Chambord. In the gymnasium, on the third floor, a most beautiful apartment, 50 feet in length by 35 in width, the members of the six organized quadrilles of the evening gradually assembled before 11 o'clock.…

Winding through the motley crowd of princes, monks, cavaliers, highlanders, queens, kings, dairy-maids, bull-fighters, knights, brigands, and nobles, the procession passed down the grand stairway and through the ball into a noble room on the front of the house in the style of Francois Premier, 25 feet in width by 40 in length, wainscoted richly and heavily in carved French walnut and hung in dark red plush. Vast carved cabinets and an immense, deep fire-place give an air of antique grandeur to this room, from which the procession passed into a bright and charming *salon* of the style of Louis XV, 30 feet in width by 35 in length, wainscoted in oak and enriched with carved work and gilding. The whole wainscoting of this beautiful apartment was brought from a château in France. On the walls hang three French Gobelin tapestries a century old, but in the brilliance and freshness of their coloring seemingly the work of yesterday, and over the chimney-piece hangs a superb portrait of Mrs. Vanderbilt by Madrázo, full of spirit, character, and grace. The ceiling, exquisitely painted by Paul Bandry, represents the marriage of Cupid and Psyche, and the furniture is of the bright and gracious style of that age of airy arrogance and perfumed coquetry [flirtation] which preceded the tragedy of the great Revolution. Thence the procession swept on into the grand dining-hall, converted last night into a ball-room, and the dancing began.…

In the "Hobby-horse Quadrille," with which the ball began, the horses were the most wonderful things of the kind ever constructed in this country. The workmen were two months in finishing them. They were of life-size, covered with genuine hides; had large, bright eyes, and flowing manes and tails, but were light enough to be easily and comfortably attached to the waists of the wearers, whose feet were concealed by richly embroidered hangings. False legs were represented on the outside of the blankets, so the deception was quite perfect. The costumes were red hunting-coats, white satin vests, yellow satin knee-breeches, white satin stockings. The ladies wore red hunting-coats and white satin skirts, elegantly embroidered. All the dresses were in the style of Louis XIV.…

Mrs. Vanderbilt's irreproachable taste was seen to perfection in her costume as a Venetian Princess taken from a picture by Cabanel. The underskirt was of white and yellow brocade, shading from the deepest orange to the lightest canary, only the highlights being white. The figures of flowers and leaves were outlined in gold, white, and iridescent beads; light-blue satin train embroidered magnificently in gold and lined with Roman red. Almost the entire length of the train was caught up at one side, forming a large puff. The waist was of blue satin covered with gold embroidery—the dress was cut square in the neck, and the flowing sleeves were of transparent gold tissue. She wore a Venetian cap, covered with magnificent jewels, the most noticeable of these being a superb peacock in many colored gems.

Source:

"All Society in Costume; Mrs. W. K. Vanderbilt's Great Fancy Dress Ball." *New York Times,* March 27, 1883, p. 1.

IMPORTANT PEOPLE, PLACES, AND TERMS

AAISW
See Amalgamated Association of Iron and Steel Workers (AAISW)

Adams, Charles Francis, Jr. (1835-1915)
Grandson of President John Quincy Adams who was an early advocate of railroad regulation and author of the 1869 book *A Chapter of Erie*.

AFL
See American Federation of Labor (AFL)

Amalgamated Association of Iron and Steel Workers (AAISW)
The nation's largest trade union until 1892, when a strike at Carnegie Steel's Homestead Plant ended in violence and broke the union.

American Federation of Labor (AFL)
A group of trade unions founded in 1886 by Samuel Gompers.

American Railway Union (ARU)
An industrial union for both skilled and unskilled railway workers, founded in 1893 by Eugene V. Debs.

Ames, Oakes (1804-1873)
Tool manufacturer, Massachusetts congressman, and head of the Crédit Mobilier railroad construction company who was censured (formally reprimanded) by Congress for bribing public officials.

Anarchism
A political movement that arose during the nineteenth century and advocated the elimination of government and big business.

Arthur, Chester A. (1830-1886)
Twenty-first president of the United States (1881-1885) who took office following the assassination of President James Garfield.

CHRONOLOGY

1859

The Comstock Lode of silver is discovered in Nevada. *See p. 19.*

1860

Abraham Lincoln is elected president of the United States. *See p. 11.*

1861

The American Civil War begins. *See p. 13.*

1862

The Homestead Act opens federal lands in the West for settlement. *See p. 11.*

The Pacific Railway Act provides support for building the first transcontinental railroad. *See p. 13.*

The Legal Tender Act creates paper currency ("greenbacks") backed by government guarantees, not specie (coin money). *See p. 27.*

1865

The Civil War ends, making funds and workers available for transcontinental railroad construction. *See p. 10.*

1866

William Sylvis founds the National Labor Union. *See p. 74.*

Native Americans and U.S. Army troops engage in a series of clashes for control of the West that becomes known as the Great Sioux War. *See p. 17.*

1867

The Grange (the Order of the Patrons of Husbandry) is founded by a U.S. Department of Agriculture official. *See p. 59.*

1868

Former Union Army general Ulysses S. Grant is elected president. *See p. 31.*

The "Erie War" for control of the Erie Railroad is waged between Cornelius Vanderbilt and Daniel Drew, Jim Fisk, and Jay Gould. *See p. 28.*

1869

May 10—The final spike linking the Central Pacific and Union Pacific railroad lines is driven at Promontory Point, Utah, completing America's first transcontinental railroad. *See p. 16.*

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