

# Big Business and Labor

## BEFORE YOU READ

In this section you will read about the growth and power of big business in America and how workers united to improve conditions in the nation’s growing industries.

## AS YOU READ

Use the diagram below to take notes on the growth of big business and labor.

PERSON	BUSINESS OR LABOR ACHIEVEMENT
Carnegie	vertical and horizontal integration

### TERMS AND NAMES

**Andrew Carnegie** Scottish immigrant who became a giant in the steel industry

**vertical integration** Process in which a company buys out its suppliers

**horizontal integration** Process in which companies producing similar products merge

**Social Darwinism** Theory that taught only the strong survived

**John D. Rockefeller** Head of the Standard Oil Company

**Sherman Antitrust Act** Law that outlawed trusts

**Samuel Gompers** Union leader

**American Federation of Labor (AFL)** Name of union led by Gompers

**Eugene V. Debs** Leader of the American Railway Union

**Industrial Workers of the World (IWW)** Union of radicals and socialists nicknamed the Wobblies

**Mary Harris Jones** Organizer for United Mine Workers

## Carnegie’s Innovations; Social Darwinism and Business

*How did Carnegie take control of the steel industry?*

**Andrew Carnegie** attempted to control the entire steel industry. Through **vertical integration** he bought companies that supplied his *raw materials* such as iron and coal, and railroads needed to transport the steel. He used **horizontal integration** by buying out or *merging* with other steel companies.

Carnegie’s success helped popularize the theory of **Social Darwinism**. This theory, based on the ideas of biologist Charles Darwin, said that “*natural selection*” enabled the best-suited people to survive and succeed. Social Darwinism supported the ideas of competition, hard work, and responsibility.

1. Describe two ways in which Carnegie tried to control the steel industry.

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## Fewer Control More; Labor Unions Emerge

### *How did entrepreneurs try to control competition?*

Most entrepreneurs tried to control competition. Their goal was to form a *monopoly* by buying out competitors or driving them out of business. **John D. Rockefeller** used the Standard Oil trust to almost completely control the oil industry. Rockefeller's ruthless business practices earned him huge profits, but caused people to label him a *robber baron*. In 1890, the **Sherman Antitrust Act** made it illegal to form a trust, but many companies were able to avoid prosecution under the law. The business boom in the United States bypassed the South which continued to suffer economic stagnation.

Workers responded to business consolidation by forming labor unions. Many workers worked long hours under dangerous conditions for low wages. Women, children, and workers in *sweatshops* worked under especially harsh conditions. The National Labor Union (NLU) was an early labor union that persuaded Congress to legalize an eight-hour day for government workers in 1868. The NLU excluded African-American workers who formed the Colored National Labor Union (CNLU). The Knights of Labor also enjoyed success but declined after the failure of a series of strikes.

### 2. Why did entrepreneurs form trusts?

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## Union Movements Diverge; Strikes Turn Violent

### *What were the two major types of unions?*

Two major types of unions made great gains. One was craft unions. **Samuel Gompers** formed the **American Federation of Labor (AFL)** in 1886. Gompers used strikes and *collective bargaining*—negotiations between labor and management to

win higher wages and shorter workweeks. **Eugene V. Debs** believed in industrial unionism—a union of all workers, both skilled and unskilled in a single industry. He formed the American Railway Union (ARU). Debs and other workers turned to socialism. In 1905, a union of radicals and socialists was formed called the **Industrial Workers of the World (IWW)** or the Wobblies. In the West, Japanese and Mexican farm workers formed a union to improve conditions.

Unions used strikes to improve conditions. In 1877, workers for the Baltimore and Ohio railroad went out on strike. The strike was broken up when the railroad president persuaded President Rutherford B. Hayes to bring in federal troops to end the strike.

Later strikes turned violent. The Haymarket Affair took place in 1886. A bomb exploded at a demonstration in Chicago's Haymarket Square in support of striking workers. Several people were killed. Labor leaders were charged with inciting a riot and four were hanged although no one knows who actually set off the bomb. In 1892, steel workers and Pinkerton Guards fought a battle at Homestead, Pennsylvania, near Pittsburgh, that left dead on both sides. Two years later a strike against the Pullman Company led by Eugene Debs and his American Railway Union turned violent when federal troops were called out to break the strike.

**Mary Harris Jones**, known as Mother Jones, gained fame as an organizer for the United Mine Workers. The unions' struggle for better conditions was hurt by government intervening on the side of management. Courts used the Sherman Antitrust Act against the workers. Despite the pressures of government action, unions continued to grow.

### 3. What were the two types of unions?

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