

## **ECONOMIC GROWTH AND SOCIAL DECLINE 1865-1900**

The Presidential victory of the Republican Party in 1860 and the secession of the powerful agrarian states of the South placed the federal government in the hands of the business interests of the North and East. In the years that followed occurred the fundamental change from an agriculture/industry nation to a unified industrial nation. The political changes of the Civil War and Reconstruction were the violent manifestations of this profound change. Statistics of the nation's economy provide ample evidence of the rapid growth of business and urban life.

### **POLITICAL FACTORS PROMOTING POSTWAR INDUSTRIAL GROWTH**

The Republican Party, the political instrument by which the machinery of the federal government was managed by business interests, enacted a number of laws highly favorable to business. 1) The Morrill Tariff (1861) reestablished high protective tariffs. These higher rates assured manufacturing industries higher profits, freedom from foreign competition, and at the same time provided an indirect subsidy at the expense of other groups. Industry expanded with the confidence as high tariffs were maintained as a permanent national policy. 2) The National Banking Act (1863) provided a satisfactory banking and uniform national bank notes, and swept away the inefficiency and confusion of state bank notes. Subsequent financial measures assuring a "sound money" and adoption of the gold standard provided a boon to banking and creditor interests. 3) The various enactments chartering railroad companies and providing subsidies in the form of land grants and loans to the 42 transcontinental railroads created a new industry throughout all of the nation, which was essential to the industrial complex of the nation. 4) Special protection of business corporations against action by the state governments was deliberately written into the Fourteenth Amendment. This provision provides that no state may enforce any law that would "deprive any person of life, liberty or property, without due process of law." Soon afterwards, the Republican dominated Supreme Court ruled that corporations are considered "persons" in the eyes of the law. 5) The postwar building boom created huge profits for businesses and many others wanted to get in on the money being made. 6) The friendly attitude of government after 1861 provided a climate of freedom (Congressional government) for businesses to operate with little government interference.

### **ECONOMIC FACTORS PROMOTING INDUSTRIAL GROWTH**

In the mid-nineteenth century many economic factors came together to make the United States the world's largest economic power by 1890. 1) Nature endowed America with abundant resources. Fertile soil yielded more food than the country could eat, forests provided the country with more wood than it could use and made for great export, coal, iron and oil was found in abundance, and gold, silver, copper and lead deposits were abundant. 2) Investment capital came from war profits and other income. European capital flowed into the favorable business climate created by the protective government, and American mines in the West produced great fortunes of gold and silver, which put money into circulation. The shipping industry declined while American produced everything they needed. 3) The large supply of cheap labor necessary for industrial growth was provided by the millions of veterans released from the Civil War and by the movement of farm populations to the cities. In addition to this were the increasing numbers of immigrants coming in year after year. Many new immigrant nationalities, such as the Chinese and southern and eastern Europeans, provided cheap, unskilled labor for building railroads and operating mines, mills and factories. 4) New technology, such as mass production, made possible by the application of Whitney's principle of interchangeable parts, almost innumerable inventions, created new industries or increased production and made it more efficient. 5) Improved transportation and rapid communications made possible by the growth of nationwide business firms. Raw materials could be brought together by the railroads from all parts of the country and the finished products could be marketed over vast domestic and foreign markets.

### **THE PROBLEM OF THE MONOPOLIES**

Among the consequences of the growth of big business and the “laissez faire” attitude of the Congress dominated federal government was the rise of the problem of monopoly control and price-fixing in vital industries.

### **EARLY DEVICES FOR ACHIEVING MONOPOLY**

Pools were first used to achieve concentration of control in a given industry. Pools were arranged during the 1860s and 1870s but especially after the gold panic of 1873 drove many businesses to bankruptcy. By “pooling,” companies in the same industry avoided competing with each other by agreeing to divide the market or to place all profits in a common fund to be prorated according to the agreement. Members of the pools frequently broke their agreement.

The trust proved to be a more effective device for achieving monopoly. Under trusts former competitors combined by entrusting the stock of competing companies to the hands of a board of trustees in return for trust certificates. The trustees voted the stock of all the companies and managed them as a unit.

The best known of the trusts was Rockefeller’s Standard Oil Company agreements beginning in 1879. Rockefeller ruthlessly drove out the competition and soon controlled over 90 percent of refining capacity in the nation. Its main purpose was to control the marketing of oil and fix prices for maximum profits. Most of the large industries of the country were eventually under the control of a trust. While the trusts were guilty of price-fixing, crushing smaller competition by all kinds of foul means, and political corruption, they possessed certain inherent economic advantages such as efficient, low-cost, large-scale production, distribution of a superior product, and full utilization of byproducts.

The holding company also became a widely used device for eliminating competition among business firms. A holding company is a corporation created for the specific purpose of buying and holding shares of operating corporations in order to manage them for whatever advantages may be desired. Holding companies acquire control over other companies by buying physical properties or stock and by leasing agreements.

### **PROBLEMS WITH THE RAILROADS**

One of the first industries the trusts and holding companies went after was the railroads. Because of the promise of low shipping costs, the trusts and holding companies needed to have railroads that were favorable to them. Once a monopoly gained influence over a railroad, it immediately would demand lower rates. In order to keep from losing money, the railroads would then raise the price of shipping for other people needing to use the railroad, especially the farmer. Because of the need for the railroads as transportation, the smaller industries were forced to pay the high price, even though it meant small profits.

State governments, however, had a problem. If they came down hard on the railroad companies, these companies would move to a different state that had easier regulations. Also, the state of Tennessee had no control over what the railroads charged customers for shipping through the state of Illinois. In addition, because of the virtual monopoly on transportation enjoyed by the railroads at this time, plenty of money was being made and a lot was paid to politicians and the local, state and federal level to make sure nothing was done that would be detrimental to the railroads.

### **CHANGES IN THE SOUTH AFTER THE CIVIL WAR**

The term “New South” refers to the growth of industry that had become so apparent in the South during the 1880s. Taking advantage of the natural resources of the South, large industries were growing at a rate equal to that elsewhere in the country. Mineral deposits, lumber, and old industry staples such as cotton and tobacco made the South an industrial boom when the railroads were built there. There was a favorable government for industry created after the war, and when Southern whites regained control of their governments, industries were able to convince them of the need to stay with an industrial economy with large bribes and payoffs.

### **POLITICS IN THE SOUTH AFTER THE WAR**

The Reconstruction experience of the South identified the Republican Party with outside rule and caused Southern whites to look to the Democratic Party as the one properly aligned with the states’ rights

thinking of the South. Once the South was left free, the whites dominated politics through the single party system of the Democrats. The “Solid South” became a stronghold of the national Democratic Party, and until 1928 all Southern states appeared as a single block in the Democratic column.

In order to keep control, white Democrats used numerous devices to keep blacks away from the polls. In addition to intimidation and threats, legal devices were employed. Poll taxes came into use. In the 1890s some states passed laws against anyone whose ancestor had not voted before 1867 – these were the “grandfather clauses.” Property qualification, literacy tests, and examinations over the Constitution were also used. Not only did many of these keep blacks from voting, it also kept many poor whites from voting. This meant the industrialist Democrats in the South would always be able to keep a majority.

### **THE AGRICULTURAL SYSTEM IN THE SOUTH**

It was 1870 before agriculture production was fully restored in the South. Much of the difficulty was in devising a new labor system. The freedmen resented working in gangs and would not abide by written labor contracts. Hence there developed a system of individual cultivators working as tenants for a share of the crop. Large numbers of landless white farmers, as well as hungry blacks, worked as sharecroppers. Combined with tenancy was the crop-lien system, under which a tenant was furnished supplies on credit but had to give a lien on his harvest. He usually found himself unable to pay his debt, and the state laws prevented his changing landlords until he cleared his debts. This created a system closely resembling peonage. Landlords in the cotton areas required their tenants to produce a single cash crop, usually cotton; this perpetuated the one-crop system.

### **RACE RELATIONS IN THE SOUTH**

With the failure of social reconstruction and the withdrawal of federal troops from the South, the whites were left to deal with the race problems as they chose. When “Jim Crow” laws provided for segregation of blacks in the schools and other public places they were upheld by the Supreme Court. After 1890 the South reacted strongly to the Federal Elections Bill by passing the “grandfather clauses.” In 1896 the Supreme Court in *Plessy v. Ferguson* interpreted the Fourteenth Amendment as permitting separate but equal school facilities for blacks. Lynching and other violence were employed to maintain these laws. The “Jim Crow” laws were readily accepted in the North to keep undesirables out of their neighborhoods.

### **COMPANY TOWNS**

Not happy with completely dominating their various industries, many of the trusts also turned to monopolizing the food and shelter of their employees. In order to maximize profits, most of the factory workers were forced to live in housing approved by their bosses and buy food from their bosses grocery stores. The conditions in these houses were poor, but the rent was kept just high enough to ensure that every person in the household would have to work. This also put tremendous pressure on the worker. If they lost their jobs, they would be unable to afford their homes. With the trust system, the factory owners would keep a list of those who were not suitable for employment and that person would be unable to work in that town.

### **THE ORGANIZATION OF LABOR**

During the 1880s the nationally organized labor unions became more active and effective. the rise of nationwide business organizations and monopolies made it necessary for workers to organize large-scale bargaining units and pressure organizations to match the power by which industry had come to exploit so effectively. Several attempts were made to organize all workers, but problems with violence by some of the unskilled (uneducated) and immigrants unfamiliar with America led to unions becoming select in their membership. The biggest of these unions was the American Federation of Labor (1881). The AFL accepted only skilled workers and were understanding in the fact they knew they would not be able to bring the owners to their knees overnight. Facing enormous factors against them, the owners and government, unions did see some gains by 1900. The eight-hour workday was adopted for federal employees, Oriental exclusion from the unions won legal support. The idea of arbitration to settle disputes was adopted in 1898. In 1900, many states passed laws limiting women and children to ten-hour workdays.

## **THE INTERSTATE COMMERCE ACT**

Most hurt by the consolidation of the railroad industry was the farmer. In order to make for the discounts provided to the large shippers, the railroads would then turn around and charge the smaller shipper (the farmer) a higher price. Under pressure from the farmers, In 1887 Congress passed the Interstate Commerce Act. 1) This act created the Interstate Commerce Commission of five members to enforce its provisions. 2) The act made rebates, pools, and unjustifiable discriminations illegal, and 3) required railroads to charge “reasonable and just” rates and to publish such rates. 4) It gave the Commission the power to investigate complaints and make decisions subject to review by the courts.

The creation of this independent agency to exercise special power of regulation in a difficult economic area brought into action the first such body. Since then Congress has created many similar independent regulatory agencies staffed by specialists. This was significant because it was the first time the federal government accepted the principle of federal regulation over the states. The courts, however, did not accept this commission and limited its powers to enforce the legislation. The commission did not become effective until the Presidency of Theodore Roosevelt.

## **THE SHERMAN ANTI-TRUST ACT (1890)**

Attempts by the state legislatures to regulate great business combines proved as ineffective as early regulation of the railroads. The Supreme Court stood in the way of effective regulation by the states when it ruled that corporations were “persons” under the Fourteenth Amendment and could not be deprived of “life, liberty or property with due process of law.” Many groups demanded regulation that would give the public protection against monopolies. In response to these demands, the Republican Congress under Harrison in 1890 passed the Sherman Antitrust Act. This act 1) made conspiracies in restraint of trade illegal in interstate commerce; 2) provided fines and imprisonment for violations; and 3) prescribed three-fold damages in court to any person proving he had been injured by the competition of a business monopoly.

## **FAILURES TO ENFORCE THE SHERMAN ACT**

In the wording of the anti-monopoly law the courts and the corporation lawyers found loopholes that made the act ineffective. The courts rendered unfriendly decisions in the few cases brought by the government, but the greatest failure of the act came from the business friendly administration of Harrison, Cleveland and McKinley to enforce the act vigorously. Monopolies abandoned the trust for the holding company device. Because of the perceived monopoly desired by the labor union over the labor supply, the act was more often applied against the labor unions than the businesses.

## **NATIVE AMERICAN PACIFICATION IN THE FAR WEST**

The first mining boom in the Far West, the California Gold Rush, brought hordes of Americans across the Native American-occupied plains into California. At first conflicts between the Natives and the miners brought on a succession of campaigns in California lasting from 1849 until the early 1870s. These “wars” killed off a relatively large number of peaceful Native American tribes. The need to protect emigrants along the trails leading to California, Santa Fe and Oregon and to open the way for the transcontinental railroad, brought treaty negotiations with the various tribes for the purpose of concentrating them in smaller reservations. The tribes were separated and limited to its own well-defined hunting grounds. But it proved impossible to keep the Americans out of the reserved Native hunting grounds when mineral discoveries were made.

The Cheyenne-Arapaho War broke out in 1861 when the “fifty-niners” overran Native American lands in eastern Colorado. The war lasted until 1864, by which time this region had been “cleansed” of Natives. The bloodshed finally came to an end with the Chivington Massacre when an encampment of sleeping Cheyenne, who had already surrendered, were attacked by Colorado militiamen. Over 450 Cheyenne men, women and children were killed that night.

The Sioux War, 1865-1867, broke out next in Wyoming and Montana. This war was the result of the defeat of the Minnesota Sioux in a minor war in 1862, the anger Chivington Massacre and new mining

activity in Montana. The Sioux greatly hampered the building of forts and their maintenance in Montana. The massacre of all the men of the United States Army's Fetterman party was the bloodiest episode of this war that resulted in an initial Sioux victory.

During the 1870s numerous wars were fought against Native Americans who grew discontented with the confinement of the reservations and the shabby treatment they received there. Another Sioux War broke out in 1875 when miners trespassed on reservation land in the Black Hills of South Dakota. It was during this war that General George Custer and his force of over 200 cavalymen lost their lives when they fell into a Sioux ambush led by the Sioux leader Crazy Horse at the Battle of the Little Big Horn (River) in Montana. However, Crazy Horse and the other Sioux were captured by the army soon thereafter.

In the Pacific Northwest, the Nez Perce tribe under the leadership of Chief Joseph rose in rebellion but were soon defeated and removed to a reservation in Oklahoma. When Geronimo, the Apache leader, was captured in 1885, the recurrent native raids finally ceased in New Mexico and Arizona.

A final Native American outbreak, the Ghost Dance War, resulted from a religious frenzy among the mistreated Sioux in the Black Hills on their reservation. Several Sioux, around 200, attempted to leave the reservation. However, they were captured and massacred in the Battle of Wounded Knee in 1890.

The backlash against these events resulted in Congressional protests over the treatment of the Native Americans. The leading consequence of the protests was the passage of the Dawes Severalty Act in 1887, which provided for individual ownership of land for natives if the Native American made an oath of allegiance to the United States and renounced their ties to their tribal leadership.

## **THE SPANISH-AMERICAN WAR**

All of the goals of the businesses of the United States was expansion. As the country began running out of new land to expand, many in the United States started to want to follow Great Britain's lead in creating a colonial empire to get new resources and new markets to sell products to. Capitalizing on the strong American desire to annex Cuba (Ostend Manifesto), the business interests went about convincing the American people about the need to go to war with Spain, which owned Cuba. After the Civil War, the United States kept a strong navy, and in 1896 Assistant Secretary of the Navy Theodore Roosevelt convinced Congress to appropriate even more funds to building the navy.

In order to convince the American people of the need for war newspapers in the United States (under the control of big business) began publishing anti-Spanish articles about what was going on in Cuba. Adding to the daily accounts of Spanish atrocities in Cuba was the publication of the de Lome letter. This was a private letter written by the Spanish minister in Washington to a friend. The letter was stolen and published; it stated that McKinley was a "spineless politician" (almost exactly what Theodore Roosevelt said of McKinley.)

Adding to the fury over Spain, the explosion of the battleship *Maine* in Havana harbor was blamed on Spain and served as the immediate cause of the war. The people demanded war. The outcry for war was so strong that even though Spain had given into every American demand concerning Cuba, McKinley was forced to ask Congress for war on April 11, 1898.

## **THE ROLE OF THE NAVY**

The American navy was considered the third best in the world at this time and was only getting stronger as the Americans were perfecting the idea of the steel battleship. In May the Navy destroyed the entire Spanish fleet at Manila, Philippines. The Americans lost only one person in the Naval battle, a 56-year old deck attendant who had a heart attack. The United States also received help from the British navy in the Philippines because of Britain's fear of a German occupied country.

In the Atlantic, the Navy was not as successful, but it did not need to be. Despite no actual victories, the navy surrounded the islands of Puerto Rico and Cuba and did not allow the Spanish to supply its army.

## **THE ROLE OF THE ARMY**

The army had been neglected since the Civil War and the country had to pay in confusion and unnecessary loss of life in the Spanish-American War. Political appointments and old age characterized the

officers; the commander of the invasion of Cuba, the 300 pound General William R. Shafter who had to be lifted into his saddle, symbolized the army's inefficiency.

The army engaged in two small battles in Cuba and effectively drove the small Spanish army out of Cuba. By August 12, the two armies had signed an armistice and brought the fighting to an end. However, the war proved to be an embarrassment to the army. Lack of preparation in food and sanitary supplies cost 4,000 lives for the United States. Spanish bullets killed 400. These blunders led to a complete overhaul of the army that made it better prepared to get ready to enter WWI.

### **THE TREATY OF PARIS, 1898**

The commissioners from the two nations met in October 1898, to draw up terms of the Treaty of Paris. The terms provided 1) that Cuba would be granted independence but Spain would assume the heavy Cuban debt. 2) Puerto Rico, Guam and the Philippines were ceded to the United States. 3) The United States agreed to pay \$20,000,000 for the Philippines. The United States had now acquired an overseas empire for itself and the burden of governing alien peoples.

### **CONSEQUENCES OF THE SPANISH-AMERICAN WAR**

The "splendid little war" required little national effort but it had far-reaching significance. 1) the war marked the complete end of the great Spanish empire in America that had begun with Columbus. 2) The acquisition of possessions in the Pacific immediately made the United States active in the affairs of the Orient, which Japan did not want to see happen. 3) The United States defeated a great European nation for the first time and gained world power status. 4) The war, in bringing together the North and South together in a common effort, helped to begin to erase the heritage of hate of the Civil War. 5) It marked the first time a country had lost imperial possessions because of an armed conflict with another nation. New countries of Europe, wanting to be imperial, took note of how the United States accomplished this.

### **THE DECISION TO KEEP THE PHILIPPINES**

McKinley's decision to keep the Philippines mirrored the sentiment of the American people who had suddenly become imperialist minded. However, many felt since we had fought to free Cuba, why not free the Philippines? McKinley decided 1) we should assume the responsibilities of Christianizing and civilizing the native population. 2) Americans were carried away with the idea of enlarging the national prestige by ruling and empire. 3) Businessmen expected to find opportunities for profit in investments and loans, in developing a source of raw materials for industry, and in selling in the Philippine market. 4) The islands would give America a base for conducting a large trade in the Far East. 5) Finally, there was the real possibility that the islands would fall into the hands of Japan, Germany or some other nation with interests of expanding in East Asia.

### **FILIPINO REACTION**

Before the Americans gained control, the Filipinos had been engaged in a long struggle to gain independence from Spain. When Congress refused to grant them independence, the Filipinos revolted against the United States. From 1899-1901 a war raged between the United States and its new colony. However, both sides realized neither could win a quick war and a peace was settled. William Howard Taft was appointed Governor of the Philippines and his mission was to set a timetable for the Philippines to become an independent nation. Relations were strained at best between the two groups and depended largely on who was the United States Governor at the time. By 1916 the natives had gained the right of representation in the government. By 1926, the two groups had a friendly spirit of cooperation that would eventually lead to peaceful Philippine independence from the United States in 1946.