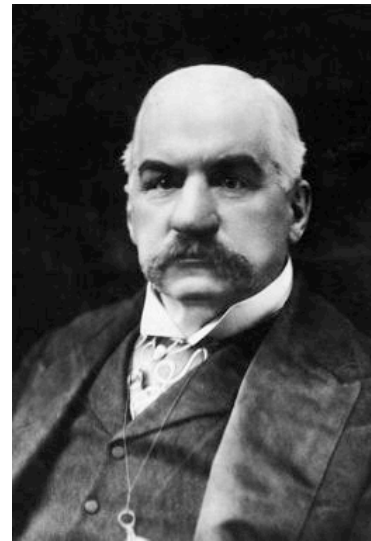




Industrialization in US & Canada

Managerial Revolution & JP Morgan

- New system of management that was separated from ownership; impersonal nature
- **BLUM**: Morgan “symbol of American financial power”; natural RRs should come to him in times of trouble (1893)
- **Results**: Bankers controlled reorganization of RRs→ not ideal, but did curb anarchy & improved management & efficiency.
- Time zones!



*"Well, I don't know
as I want a lawyer
to tell me what I
cannot do. I hire
him to tell how to
do what I want to
do."*

J. P. Morgan

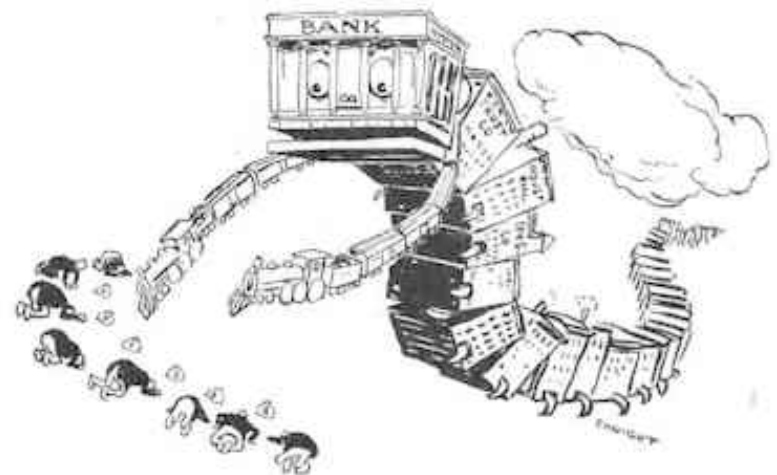
New Business Practices

- **Corporation Pools** – Informal org. of several corps. which divide business operations amongst themselves
 - Goals: Eliminate competition & fix prices
 - **Interstate Commerce Act** makes them illegal
- **Powerful Trusts** – business orgs. that granted trust certificates to stockholders in order to control all stocks
 - extra profits received from monopoly forces would be returned for certificates
 - Results: Closed small businesses, raised prices
 - **Sherman** makes them illegal



- **Holding Companies** – Charter corps. Formed to buy controlling stock in other corporations;
 - Goal: monopolize an industry
 - Sherman Antitrust Act could revoke charter; still active
- **Interlocking Directorates** – Groups of persons who served as directors for more than one corp.
 - Results: Est. uniform policies for an entire industry; could create monopolies
 - Sherman Antitrust Act could make it illegal if could prove it was a monopoly

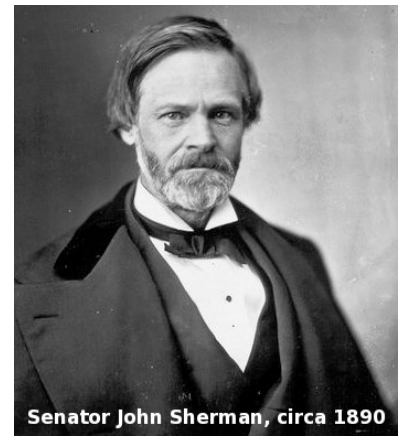
SEARS HOLDINGS



The Money Trust Snake

Interstate Commerce & Sherman

- **Interstate Commerce Act (1887)** – No RR discrimination, published rates, no pooling, “reasonable & just” prices
 - **BLUM**: Tough to interpret, administer & enforce; no immediate answer b/c merely a sign Congress was doing something to stop big business it definitely supported
- **Sherman Anti-trust Act (1890)** – Concern for small business, capitalism & consumers; trusts against American values → Trusts illegal, fixed penalties for violators, corporations = people
 - **BLUM**: Lawyers wrecked it. Catch-22 (472)



Senator John Sherman, circa 1890

Challenges to Big Business

- 1877 – *Munn v. Illinois* – SCOTUS rules that in the absence of federal policies on regulation of industry state legislatures can regulate as long as they have the "common good" in mind
- 1886 – *Wabash, St. Louis and Pacific Railway Co. v. Illinois* – SCOTUS overturns previous decision and ruled that it was invalid on grounds that it was the exclusive power of Congress to regulate industry



- 1887 – **Interstate Commerce Act** passed
- 1890 – **Sherman Antitrust Act** passed
- 1895 – *US v. EC Knight Co.* – Blow to Sherman; American Sugar Refining Co. was not considered illegal because manufacturing not = commerce under the Sherman Act



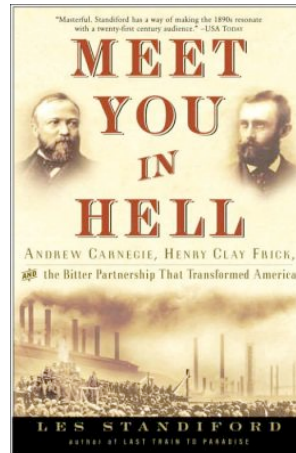
Banking Industry

- Goals: Limiting competition and maximizing profits
 - Charged huge fees for their services
 - Issued stock that was heavily watered down



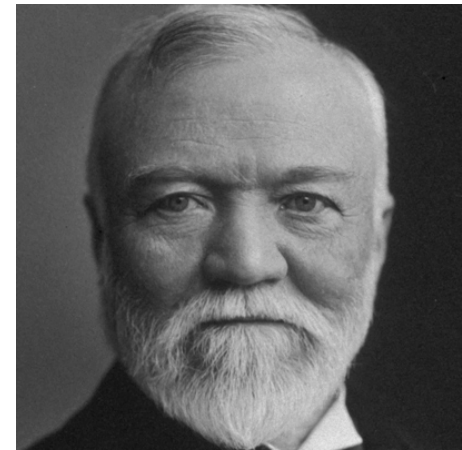
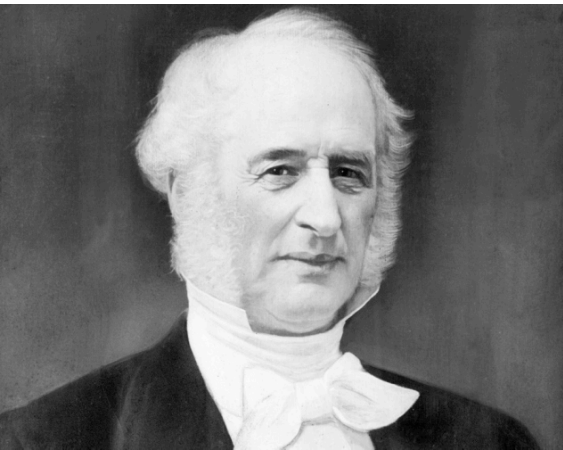
Steel Industry

- 1867: 1643 tons of steel → 1897: 7.1M
– 20x longer life than iron for RRs
- Cutthroat tactics, price slashing and blackmail
- Ran plants at loss rather than remain idle
- Sought rebates and formed pools
- Bought out competitors
- Pitted competitors against one another



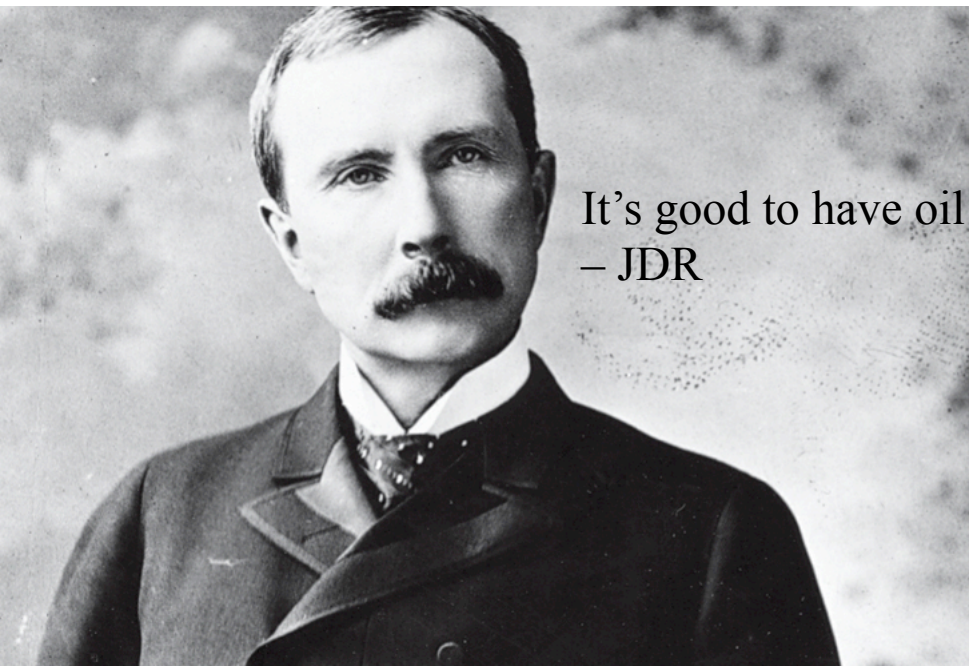
Captains of Industry...

- **Cornelius Vanderbilt** – Consolidated the railroads (stopped passenger transfers 17 times between NY and Chicago), steel rails and steel bridges, double tracks, new locomotives and terminals
- **Andrew Carnegie** – Mass production of steel, sold company to **JP Morgan** and 11 steel companies joined to become **US Steel Corp.**; shift of industrial capitalism → financial capitalism, philanthropy



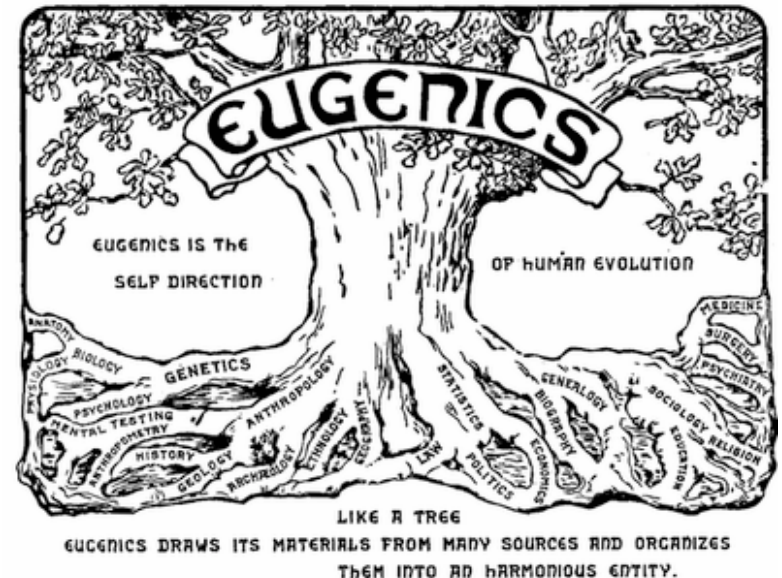
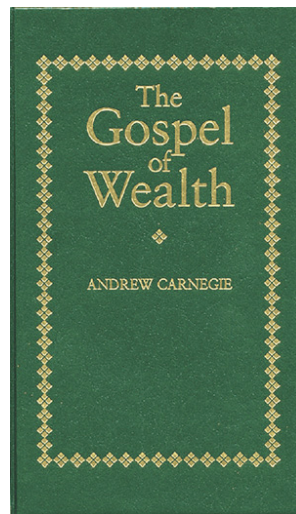
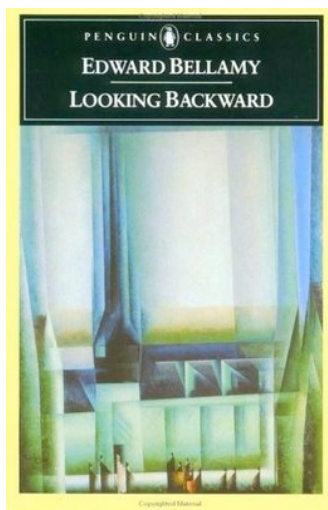
...or Robber Barons

- **John D. Rockefeller – Standard Oil Co. – Hated free competition → pioneer in concept of trusts, order and efficiency to oil industry, philanthropist (some say richest in history)**
 - Positive & negative impacts (471)



American Industrialization

- Industrial Capitalism → Financial Capitalism
 - New conservative push to democracy identified with the laissez-faire part of capitalism
 - Followed policies of **Herbert Spencer (Social Darwinism)**
 - US prof. **Lester Frank Ward** – Difference b/w animal and human economies → people have responsibility to help less fortunate



William Graham Sumner

- Against protectionism and imperialism; supporter of Spencer; advocate of Gospel of Wealth
 - American economy controlled for benefit of aristocracy, leaders brought to top thru competition and survival of fittest
 - Politicians didn't follow process of natural selection and therefore not warranted to regulate business
 - State shouldn't interfere with business
 - Slums and poverty natural problem but little could be done by state to solve the problem
 - Wealthy should try and help alleviate suffering of underprivileged

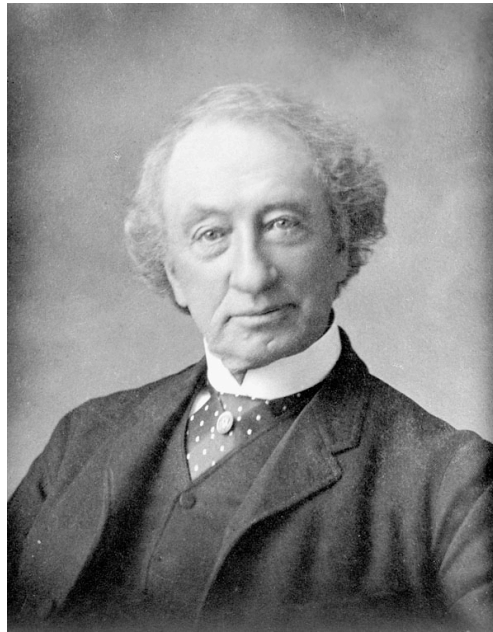


"The forgotten man... He works, he votes, generally he prays, but his chief business in life is to pay."

William Graham Sumner

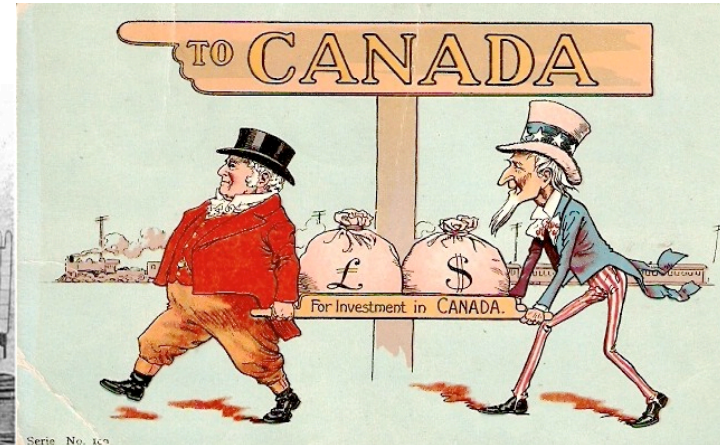
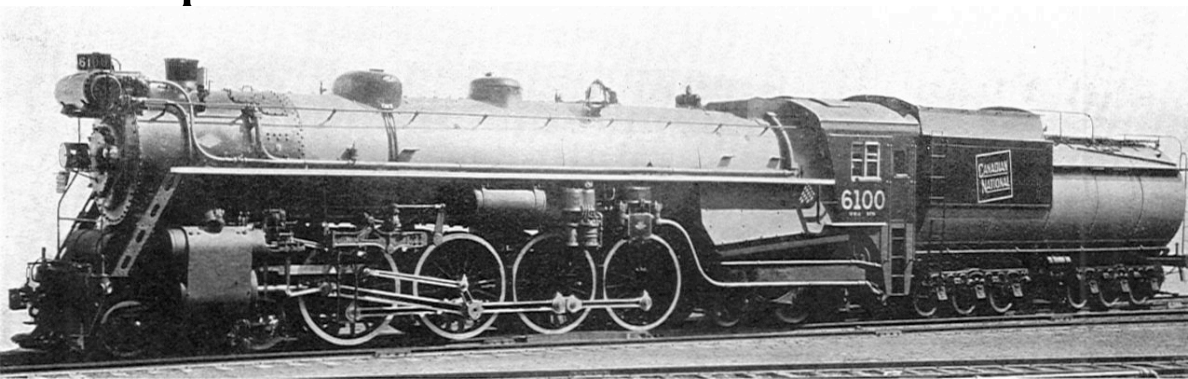
Canadian Comparison

- Growth of the state and economic growth went hand in hand
- Stressed protective tariff policy (Macdonald's Conservative Govt. → **National Policy**)
- Strategy of "defensive expansion" based on east-west axis of trade distinct from the US



Canadian Timeline

- 1850 – Developed canal system (way after US)
- 1853 – St. Lawrence and Atlantic Railways open; followed by Great Western Railway and Northern Railway
- 1854 – Reciprocity treaty with the US – Br. N. Am. Gains reciprocity in trade in natural products in return for fishing off Canada → US cancelled treaty in 1866 when demand for raw materials lessened
- 1873 – Worldwide depression leads Canada into revival of protectionism



MacDonald's National Policy "Dream"

- Tariffs on imports raised from 10% to 25-41% on man. goods
- **Canadian Pacific Railway** – Renewed plan for transcontinental railway → huge subsidies given to developers
 - Built by Chinese and Irish immigrants
 - By 1883 53% of financing was through American cos.
- Close relationship between govt. and business
 - Protective tariff (1879) was created for CAN manufacturers by gov
 - CPR syndicate gained money from gov. → in return syndicate gave \$1 million to Conservative election committee



Liberal Comeback? No.

- **BENNETT**: Macdonald's policy didn't help much in econ. or pop. growth 1873-93
- 1887 – **Wilfrid Laurier** runs for PM w/ free trade platform, but Mac defends w/ protectionism & is reelected → “Old Man, Old Flag, Old Policy”



“As the 19th century was that of the United States, so I think the 20th century shall be filled by Canada.”



Canadian Working Conditions

- Same as US → harsh w/ impersonal management
 - 10-12hr. workday; Child labor
 - Lower wages for women & children
- Immigration slower than US, but still caused labor surplus → difficult for unions
 - **9hr. Movement** (1872) – First labor push in Canada from UK actually influenced US's 8hr. workday
 - Undermined by Macdonald's **Trade Union Act**



Canadian Farmers

- Overproduction causes prices to fall 1880s-90s
 - Hurt by protectionism, CPR monopoly
- Tried to organize into Grange (1874) to control freight rates → failed
- **Patrons** were kind of like Populists & railed against National Policy

