

ECONOMICS

The study of money, banking, production and consumption of goods and services

Capitalism

An economic system that is based on private ownership of the means of production (businesses) and the production of goods or services for profit also known as a **free market economy**.

Adam Smith's *The Wealth of Nations* (1776)



Natural Laws of Capitalism.

- 1) Supply and Demand
- 2) Competition
- 3) Self Interest

Laissez Faire Capitalism – capitalism with no governmental controls

Social Darwinism - Survival of the fittest applied to race, religion, culture, businesses and nations.

American Industrialization

Formation of Corporations

Corporation – business owned by stockholders and run by a board of directors



Stock - Share in a corporation

Why?

Raise capital or money invested in a business such as oil, railroad, steel, etc...

What is the goal of every corporation?



What do they all have in common?

In whose interest does a corporation always act in?

Rise of the Railroads

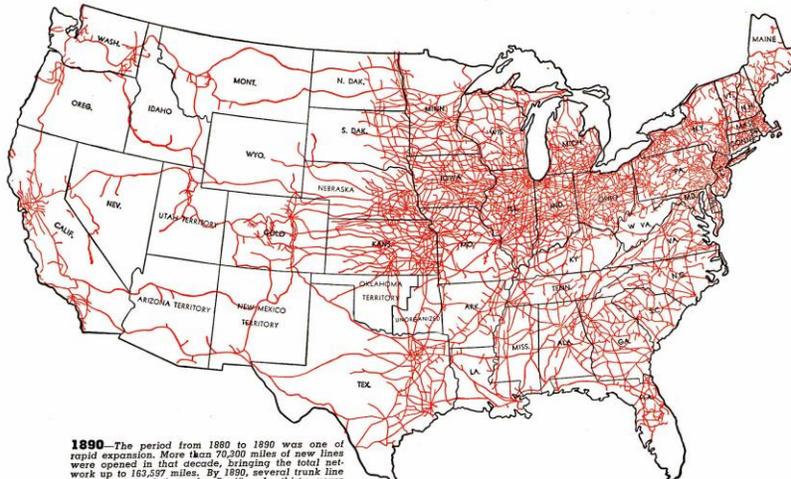


Why?

- Importance during the Civil War
- Standardized track gauge
- Coast to coast in 5 days
- New inventions
 - George Westinghouse - Airbrakes
 - George Pullman - Sleeping cars

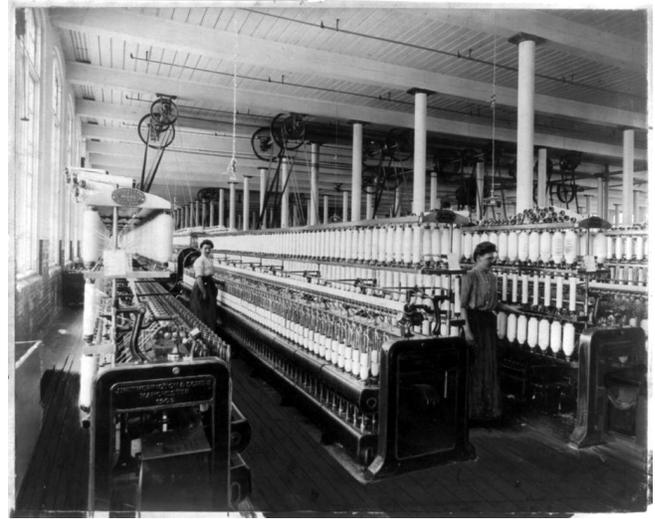
Improvements of life due to the railroad

- Quicker movement of people and resources
- Cheaper goods stimulates economy
- National Defense
- Employment of 100,000



New Innovations in Business

Mass Production – making large quantities of a product quickly and cheaply.



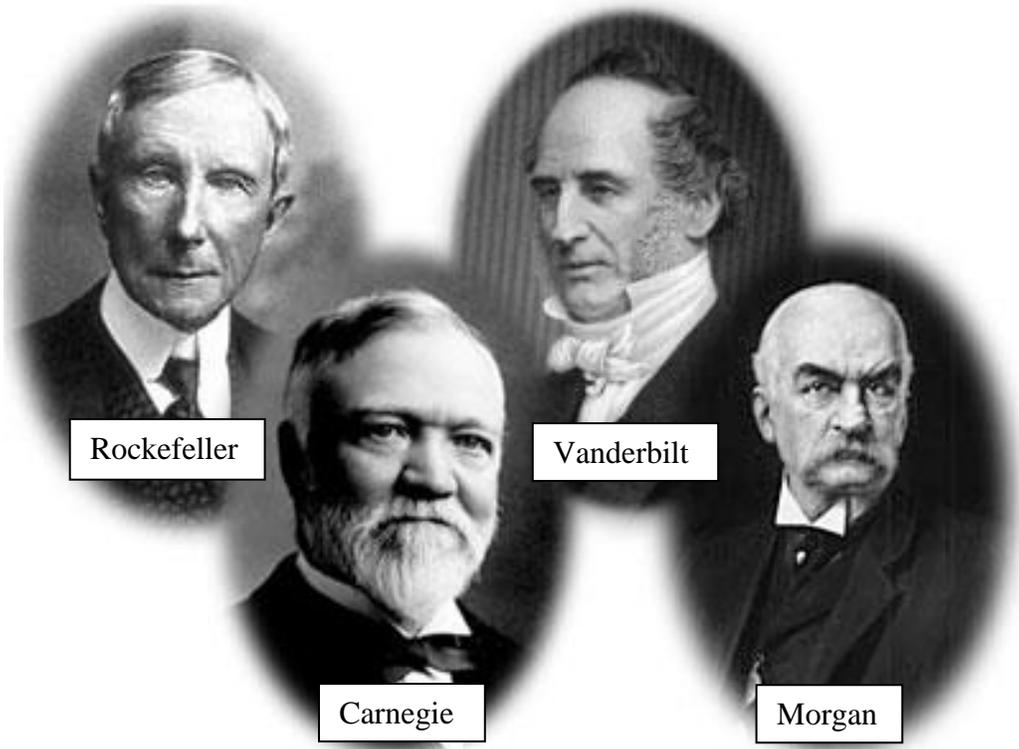
Assembly Line-When workers add parts to a product as it moves along a belt.



What would be a negative of working on an assembly line?

The Robber Barons

Businessmen and bankers during the 19th Century who dominated their respective industries and amassed huge personal fortunes.



Rockefeller

Vanderbilt

Carnegie

Morgan

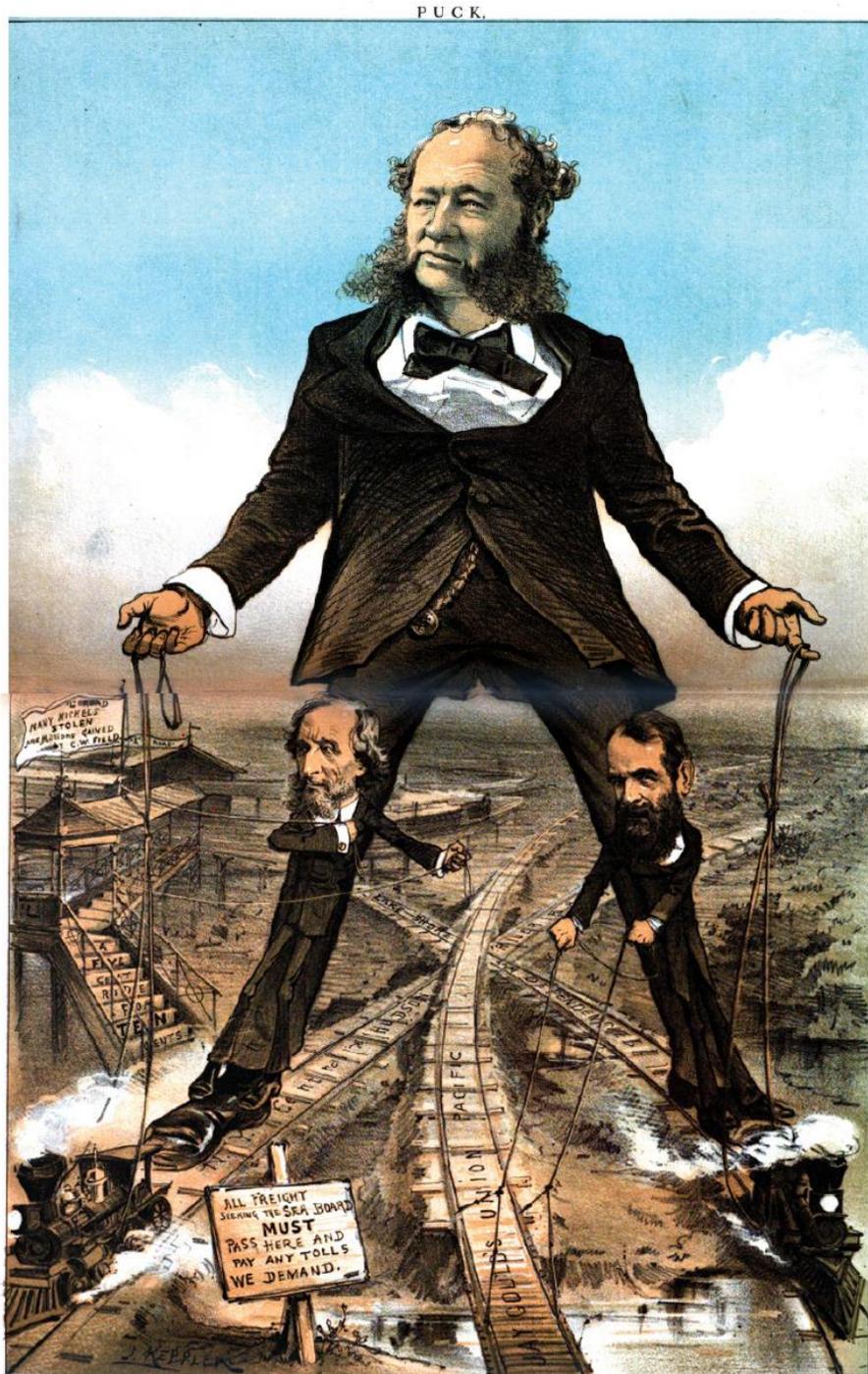


Railroad Barons

Cornelius Vanderbilt - most powerful of all the railroad barons who built and controlled Grand Central Station.

Rebates – discounts to big customers

Pooling – divided up business in certain areas and then raise prices.



THE MODERN COLOSSUS OF (RAIL) ROADS.

Steel Industry

Henry Bessemer – Invented the Bessemer process which made steel faster, stronger, and cheaper.

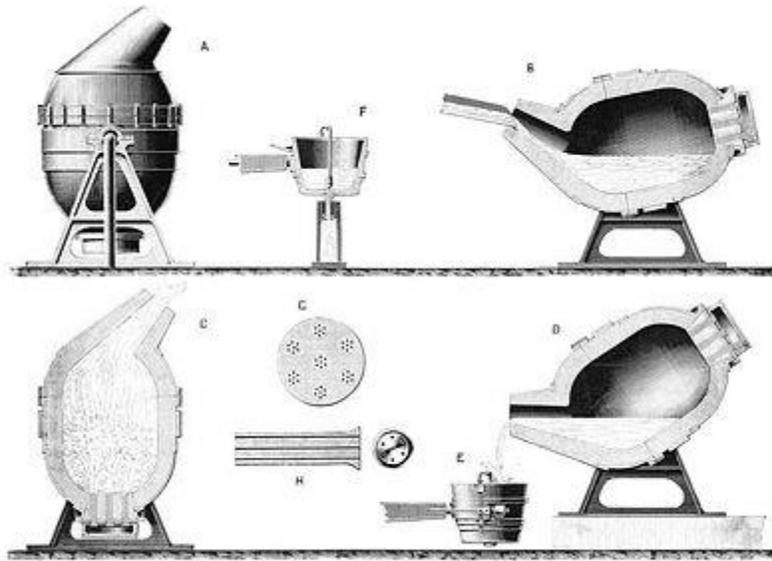


FIG. 13. THE FIRST FOUR OF BESSEMER'S MODELS OF CONVERTERS AND LARGE

Andrew Carnegie – Owner of U.S. Steel.

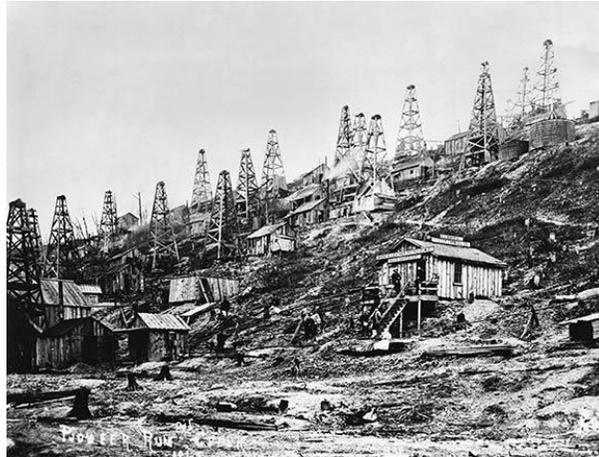
Vertical integration – controlling all steps of a product from raw material into a finished product.



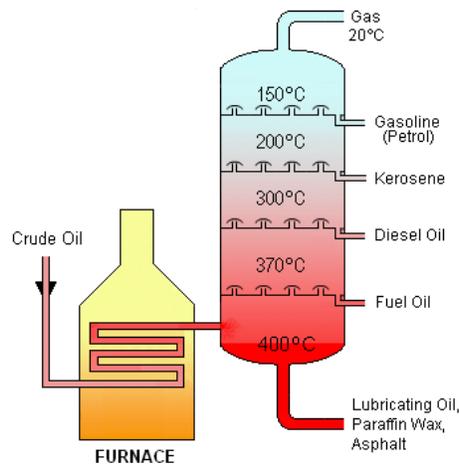
ILLUSTRATION: FOTOSEARCH/GETTY IMAGES

Oil Industry

E.L. Drake – Discovered oil in Titusville, PA

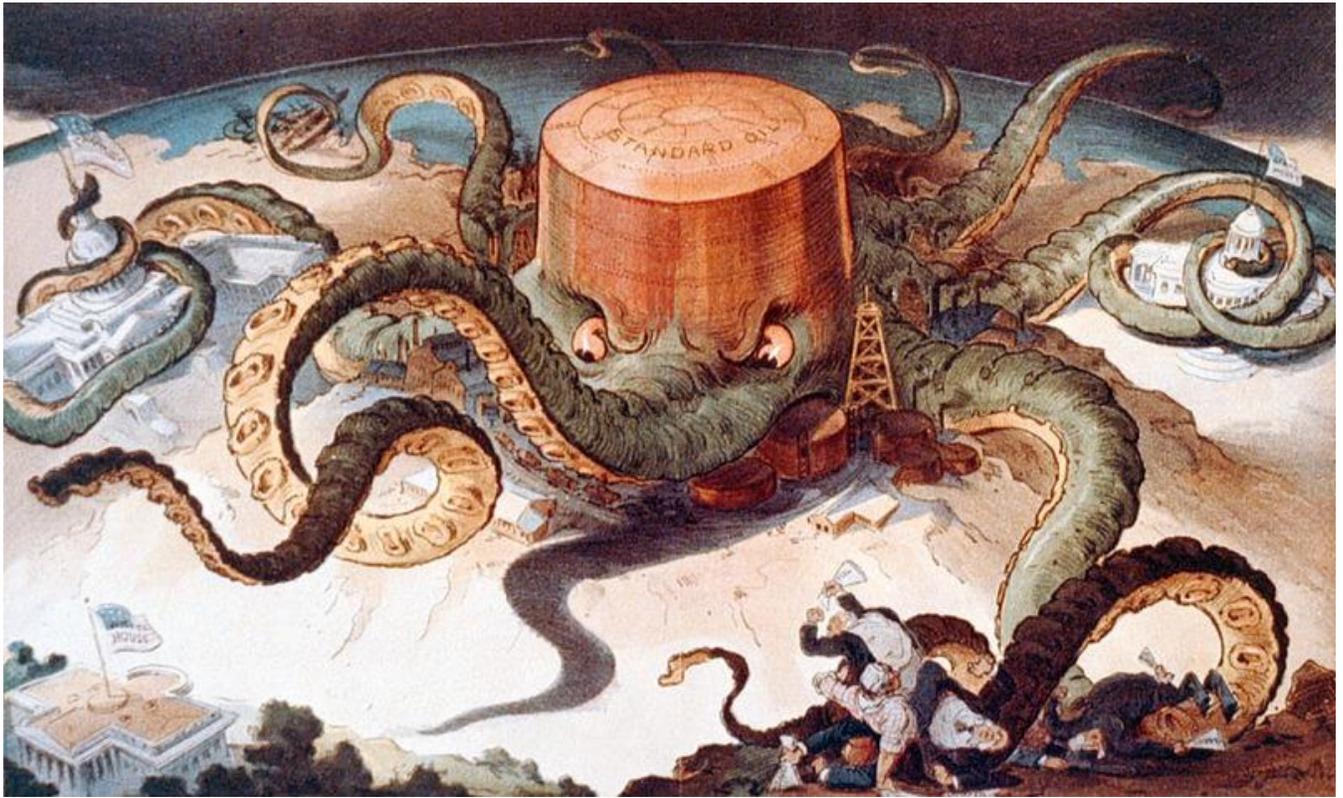


Samuel Kier – invented refining process from oil into kerosene.



J.D. Rockefeller – Owner of *Standard Oil*, which controlled over 90% of the oil refining in America.





Banking
J.P. Morgan



Formation of Trusts

Trust – a legal agreement between several corporations to group together to regulate production and control competition.

Pro's for Trusts

1. raise capital and expand business
2. more jobs → improve economy
3. more efficient → lower prices
4. more money for R/D

Con's for Trusts

1. no competition → *Monopoly* - exclusive control of a product or service → cheating consumers
2. too powerful → governmental corruption
3. destroy small businesses



ONE SEES HIS FINISH UNLESS GOOD GOVERNMENT RETAKES THE SHIP.

America demanded reform, but the Trusts controlled the government.

Joseph Keppler – Political cartoonist

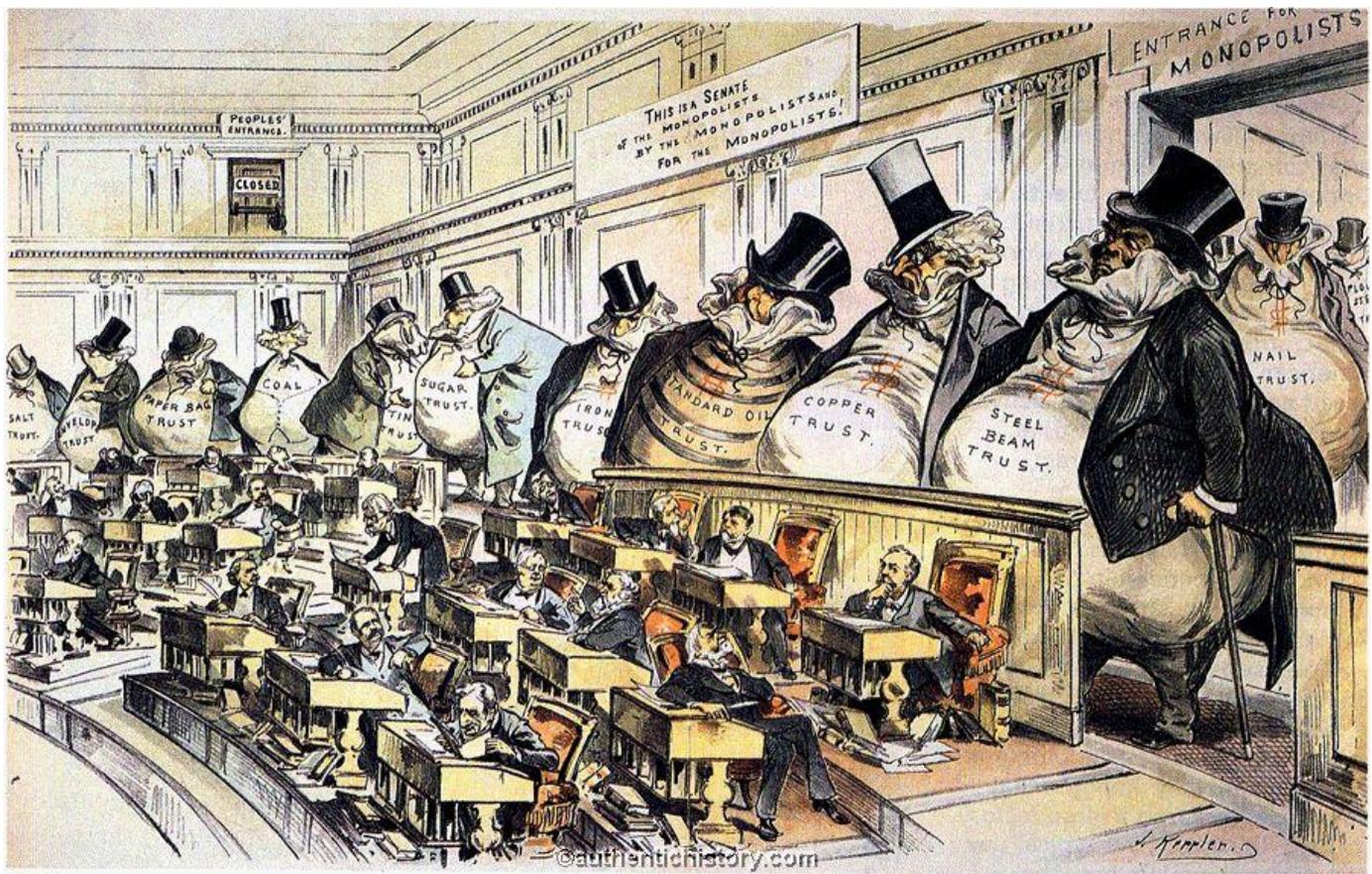
Interstate Commerce Act (1887)

Interstate Commerce Commission

- “unreasonable and unjust business” practices illegal
- “pools, rebates, and unfair practices” are illegal

Problems with the ICC

- Laws too vague & difficult to enforce
- Understaffed
- 1 win 15 losses in Court Cases



Sherman Anti-Trust Act

- Extremely vague and difficult to enforce but strengthened overtime

U.S. v. E.C. Knight

E.C. Knight controlled over 90% of the sugar refining industry.

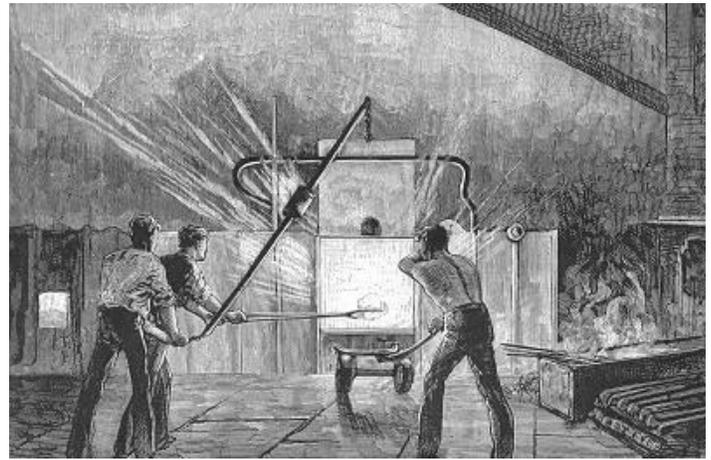
Ruling – since all of their refineries were located in South Carolina, it did not restrain trade, therefore was not a monopoly

The Inventors

Henry Bessemer	Bessemer Converter-steel production
E.L. Drake	Drilling for oil
Samuel Kier	Oil Refining
Cyrus Field	Trans-Atlantic cable
Samuel F.B. Morse	Telegraph
Alexander Bell	Telephone
Thomas Edison	Light bulb & Phonograph
Gustavus Swift	Refrigeration
George Eastman	Light weight camera (Kodak)
Henry Ford	Assembly Line
Orville & Wilbur Wright	Airplane
Nikola Tesla	A/C Electric Current & Power Plants

Labor Unions

Sweatshops – a factory in which people labor long hours in poor conditions for low pay (most were immigrants, women and children).



What is wrong with these working conditions?

What could a worker do about these conditions?

What problems do we have as a society if we allow child labor?



Young workers at a factory making Nike sneakers in southern Guangdong Province.



Formation of Labor Unions

An organization that represents the workers in collective bargaining with management for better working conditions, wages and other benefits.



How a union works

Collective Bargaining – union officials negotiate for all members with management about wages, working conditions, etc...

Open Shop – workers have a choice on whether to join or not.

Closed Shop – workers are forced to join upon being hired.

What are some positives and negatives to collective bargaining?

Collective Bargaining fails unions may

- **Sick out** – when all workers call in sick
- **Slow Down** – when workers purposely slow down production
- **Strike** – refusal to work until demands are met
- **Picket Line** – when union members stand outside a work place to protest.



If Collective Bargaining fails management may

- **Lockout** – when management locks out the workers
- **Scabs** – strikebreakers or people who cross a picket line to work
- **Yellow Dog Contract** – an agreement not to join a union upon being hired
- **Blacklist** – union members or organizers who wouldn't be hired because they were “undesirable employees”
- **Injunction** – a court order issued by a judge to do or not to do something
- **Taylor Law** - prohibits certain groups from striking (i.e. police, firemen, teachers, transit workers...).

The Knights of Labor



Uriah Stevens – founder

Terrence Powderly – greatly increased membership by allowing women, immigrants, blacks and unskilled labor.

- 8 hour work day
- “Humane working conditions”
- Social Change

Powderly’s changes in the K of L would increase enrollment from 9,000 (1870) to 700,000 (1886).

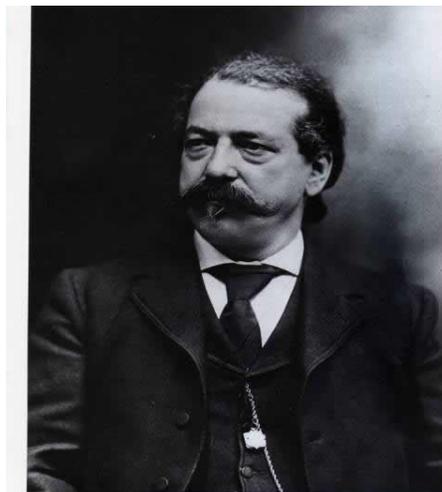
Why would Powderly’s changes be unpopular with many Americans?

Haymarket Square Bombings

During a K of L rally to protest the McCormack Reaper Factory in Chicago, an ***anarchist*** (someone who is against all forms of organized government) threw a bomb killing 7 policemen.



Results – nobody knows who threw the bomb, but the K of L are blamed → K of L enrollment drops dramatically.



American Federation of Labor (AFL)

Founded by Samuel Gompers

- skilled labor only
- focused only on the needs of its members
- **“Bread and Butter Issues”** – higher wages, shorter hours and better conditions.

Immigration

14 million immigrants arrived between 1860-1900



Immigrant - a person who comes to live permanently in a foreign country.

Emigrant - a person who leaves one place or country, to settle in another.

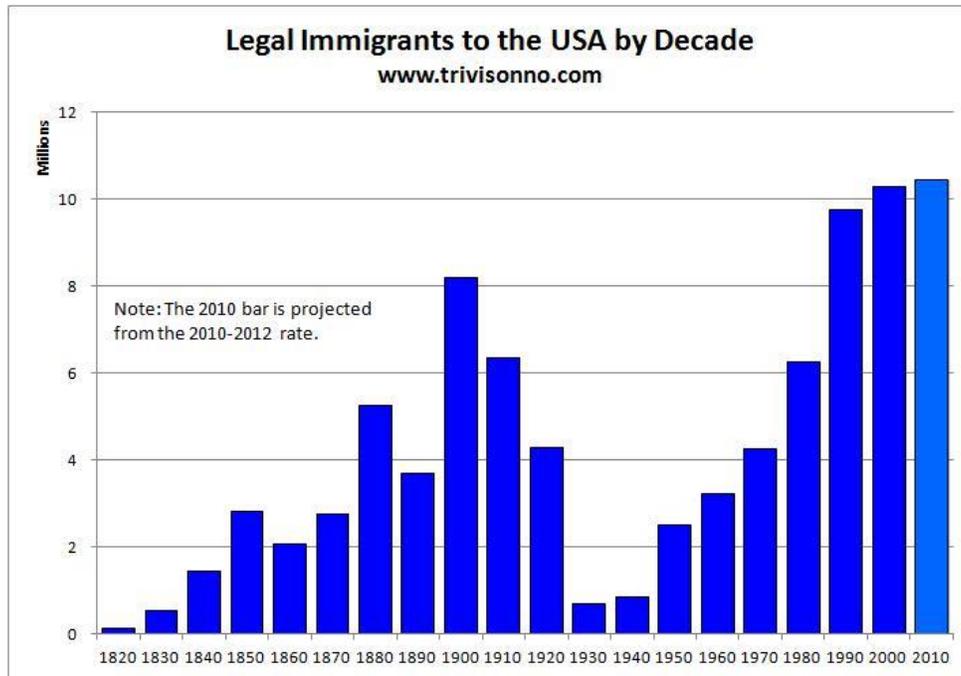
Push Factors – conditions that would encourage people to leave a country.

- scarce land
- farm jobs lost to mechanization
- political/religious persecution
 - *pogroms* – organized attacks on Jewish settlements in Russia and Eastern Europe
- war
- famine
- poverty

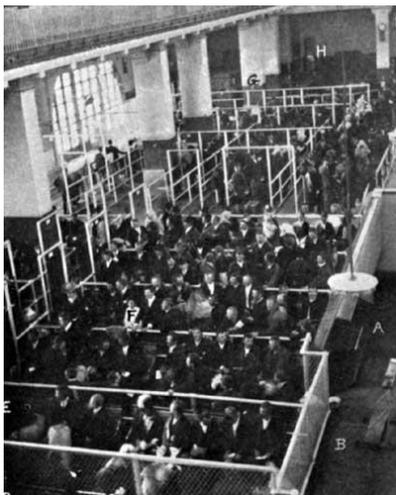


Pull Factors – conditions that would encourage people to come to a country.

- land
- factory jobs
- political/religious freedom
- opportunity
- family/friends in U.S.



European immigrants → Ellis Island in NYC



Asian immigrants → Angel Island, San Francisco.

Assimilate – become a member of another culture.



Why would immigrants move into Cities?

Factory Jobs

Ghettos - ethnic neighborhoods.



Why would immigrants move into ghettos?

Urbanization – the growth of cities.

Problems with mass urbanization (growth of cities)

Slums – a densely populated area that is dirty and has high crime.

Tenements – highly crowded apartments that met the minimum standards of sanitation, safety and comfort.



Problems with city life and the tenements

- safety → creation of police and fire departments
- housing → building codes
- sanitation → garbage collection
- sewage → sewers and indoor plumbing
- drinking water → fresh, clean and safe water supply
- transportation → subways & street cars

1860-1880 “The Old Immigrants”

Northwestern Europe – German, Dutch, Scandinavian, British Isles.

- skilled labor, educated, Protestant and had money
- similar cultures and society to U.S.
- assimilated very quickly

Irish were unwanted (poor, unskilled, uneducated and Catholic).



1880-1900 “The New Immigrants”

Southern and Eastern Europe – Italian, Greek, Russian, Polish, Slavs.

- unskilled, uneducated, extremely poor; Catholic, Orthodox or Jewish
- culture and language completely different
- didn't understand U.S. culture and economic system
- settled in ghettos, worked in factories

Why would the “Old Immigrants” be considered more desirable than the “New” immigrants?

Would unions support mass immigration? Big business? Why?

Resistance to Immigration

Why?

- economic – fear of losing unskilled factory jobs

W. COLE, No. 8 Ann-st.

GROCERY CART AND HARNESS FOR SALE—In good order, and one chestnut horse, 8 years old excellent saddle horse; can be ridden by a lady. Also, young man wanted, from 16 to 18 years of age, able to work. No Irish need apply. CLUFF & TUNIS, No. 270 Washington-st., corner of Myrtle-av., Brooklyn.

BILLIARD TABLE FOR SALE—Of Leona manufacture; been used about nine months. Also, fixtures of a Bar-room. Inquire on the premises. No.

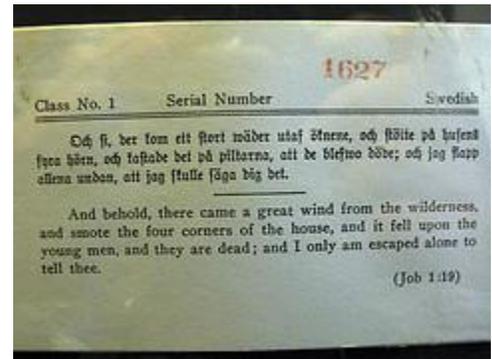
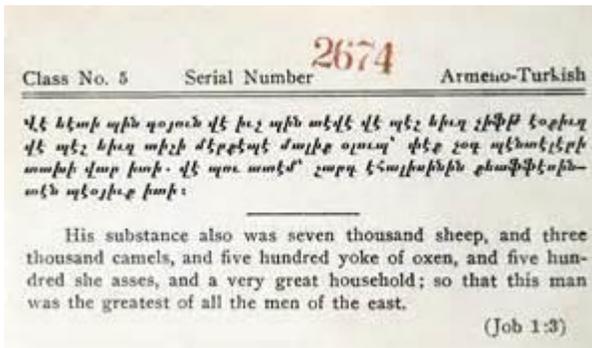


- racism
- xenophobia – fear of strangers/outsideers
- ignorance



Results

Literacy Tests



Quotas – the limiting of certain ethnic groups from entering America

Chinese Exclusion Act (1882-1943)



Nativists – wanted to keep America for Native born, white, Protestants.



Looking Backward

They would close to the newcomer the bridge that carried them and their fathers over

Positives of Industrialization?

Negatives of Industrialization?

Was it all worth it?