Who were the Robber Barons?

Wall Street's insider trading scandals and the New York City corruption high jinks of the 1980s are polite misdemeanors when viewed against the wholesale corruption of American business and politics during the late nineteenth century. This was the era when political genius took a backseat to a genius expressed in accumulating and holding more private wealth and power than had been possessed in history. One illustration of this power was the financier John P. Morgan's refusal to make loans to the U.S. government because it lacked collateral. In 1895, Morgan bailed out a nearly bankrupt federal government by exchanging gold for U.S. bonds, which he promptly resold at an enormous profit.

The accumulation of American wealth in the hands of a few was nothing new; since colonial times a minority had held the vast majority of the nation's wealth. But the late nineteenth century brought this concentration of wealth to unprecedented heights.

After the war, the lands of the West were opened up, cleared of Indians, and ready for the great surge. To reach these rich lands—to bring the cattle and wheat to eastern markets to feed the factory workers who made the tools and machinery to mine the gold, silver, and copper—called for cheap, fast transportation. Building more railroads required four basic components: land, labor, steel, and capital. The federal government provided the land; immigrants on both coasts supplied cheap labor; Andrew Carnegie provided the steel. And J. P. Morgan, the banker's banker, provided the cash.

With unlimited vistas of western wealth, the plan to link East and West by railroad provided equally unlimited schemes to bilk the Treasury. Corruption came to the fore with the exposure of the Credit Mobilier Scandal in 1872. Massachusetts congressman Oakes Ames was a shovel maker and one of the directors of the Union Pacific Railroad, the company taking the line westward from Nebraska. Ames and the Union Pacific created a company called Credit Mobilier of America, which was awarded all construction contracts. The company was paid $94 million by Congress for work actually worth $44 million. Ames had smoothed the way for this deal in Washington by spreading around plenty of Credit Mobilier shares, including some to President Grant's first- and second-term Vice-Presidents, Schuyler Colfax and Henry Wilson, giving the "Vice" in the title a whole new dimension.

The Central Pacific, owned by Leland Stanford, built eastward from California and did the same things, winning land grants, contracts, and enormous overpayments to Stanford's railroad-owned construction company. Stanford got away with it and eventually built a university; Ames was censured by Congress for his role, but got no university out of the deal.

Besides the enormous costs in graft, the linking of East and West by rail, completed on May 10, 1869, at Promontory Point, Utah, cost thousands of workers' lives as the lines snaked their way over mountains, across deserts, or through Indian territory, decimating the buffalo as they went to feed the workers. Workers' lives and sound construction principles were cast aside, sublimated to greed and the rush to lay track to win bonuses. Bribes were paid by towns that wanted the railroad lines to run through them, and millions of acres of land were given away to the railroads as plums.

Grant's two terms were boom times for the corruptible. Besides the Credit Mobilier scandal, which reached into the White House, there was the Whiskey Ring scandal, which defrauded the government of millions in taxes with the assistance of the Treasury Department and Grant's personal secretary, Orville Babcock, a man with his proverbial finger in every pie. In the Bureau of Indian Affairs, corruption was equally widespread, with millions in kickbacks paid to administration officials all the way down the line, ending up with Indians on the reservation getting rotten food, when they were fed at all.

The millions made in these scandals were still small change when compared against the fortunes being made by the great thieves of the generation, the so-called Robber Barons—Jay Gould, Vanderbilt, Morgan, Carnegie, and Rockefeller. But they raised their form of thievery to sound business organization and called them "trusts."

For many of these men, such as Gould and Vanderbilt, the railroad was the ticket to enormous wealth. "Commodore" Cornelius Vanderbilt (1794–1877) started by building a Staten Island

ferry business into a steamship empire, expanding into railroads after the war. Through graft and bribery, Vanderbilt built the New York Central into the largest single railroad line in America, passing down a vast amount of wealth to his family, who then gave new definition to "conspicuous consumption" with lavish parties at which guests dug in a trough for jewels.

Jay Gould (1836–1892), one of Vanderbilt's fiercest competitors, started with the Erie railroad line in New York, but was forced out after revelations of stock watering so blatant that officials in this "anything goes" era had to step in. Gould built a large empire with small lines in the Southwest, integrating them into a regional monopoly. In 1869, Gould and James Fisk, who had made millions selling shoddy blankets to the Union through Tammany Hall (see pages 343–346) attempted to manipulate the gold market, using an unwitting President Grant for their purposes. Slow to catch on to the scheme, Grant stopped gold sales for a time, forcing up gold prices until he realized what was going on and released $4 million in gold, driving gold prices down on "Black Friday" (September 24, 1869), causing a stock-market panic that set off a depression lasting several years.

With corruption and monopoly at the core of the railroad systems, and the depression unleashed by the "Black Friday" panic, the railroads were ripe for disaster. By the 1890s, many of the lines were nearly bankrupt from intense competition and poor economic conditions. In stepped J. P. Morgan (1837–1913).

The son of a banker, Morgan had not only avoided fighting in the Civil War, but had profited handsomely from it. By the turn of the century, Morgan had his hand in almost every major financial undertaking in America. His banking house was a millionaires' club that loaned money to other banks. Through Morgan, a small group of men were able to take control of the railroads of America, and by 1900 Morgan owned half of America's track mileage. His friends owned most of the rest, enabling them to set the railroad rates across the country.

In 1900 also, Morgan and steel king Andrew Carnegie (1835–1919) met at a party. Carnegie scribbled a figure—$492 million—Morgan agreed, and U.S. Steel was born, the first billion-dollar corporation. Unlike Morgan, Carnegie embodied at least a portion of the rags-to-riches myth. Born in Scotland, he immigrated to the United States with his family in 1848, and first worked in a cotton factory. His rise to power was mythic, going from telegraph clerk to secretary to the head of the Pennsylvania Railroad, and later becoming a Wall Street broker selling railroad commissions. When oil was found on a property he owned, Carnegie moved into the oil industry and later into iron and steel. Utilizing an improved steel production technique called the Bessemer method, which he had seen in England, Carnegie revolutionized steel production in the United States, and with ruthless efficiency he set out to control the American steel market.

Carnegie and one of his managers, Henry Clay Frick, were violently anti-union. In 1892, while Carnegie was in Scotland, Frick provoked a bloody strike when he demanded a pay cut and an end to the union at his Homestead plant in Pennsylvania. When the workers refused to accept Frick's demands, he fired the entire work force and surrounded the plant with barbed wire and hired Pinkerton guards to protect the strikebreakers he brought in. Two barges carrying the Pinkerton guards were met by thousands of strikers and their friends and families, who kept the guards from landing, in a battle that left twenty strikers dead. Stiffening his back, Frick called on the state governor to send in 7,000 militiamen to protect the replacement workers. During the four-month confrontation, a young anarchist named Alexander Berkman—the lover of "Red Emma" Goldman (1869–1940), the most notorious anarchist leader of the day—shot Frick in the stomach, but only wounded him, and he was back in his office that day.

After the militia arrived, strike leaders were charged with murder, but all were acquitted. The plant kept producing steel with workers shipped in by railroad, and other Carnegie plants failed to join the Homestead strike, a union defeat that kept labor unorganized in Carnegie plants for years to come.

Another of the era's "giants" was John D. Rockefeller (1839–1937), a bookkeeper by training who was once hired to investigate the investment promise of oil. Rockefeller told his employers it had "no future" and then invested in it himself, buying his first refinery in 1862. With a group of partners he formed the South

Improvement Company, a company so corrupt it was forced out of business. Rockefeller responded by forming Standard Oil of Cleveland in 1870. Standard bought off whole legislatures, made secret deals with railroads to obtain favorable rates, and weakened rivals through bribery and sabotage until Rockefeller could buy them out with Standard Oil stock. By 1879, Standard controlled anywhere from 90 to 98 percent of the nation's refining capacity at precisely the moment when oil's value to an industrial society was becoming apparent.

Twenty years later, Standard Oil had been transformed into a "holding company" with diversified interests, including the Chase Manhattan Bank. The key to this diversification had been the invention of the "trust" by one of Rockefeller's attorneys, Samuel C. T. Dodd, who was looking for ways around state laws governing corporations. Standard Oil, for instance, was an Ohio corporation prohibited from owning plants in other states or holding stock in out-of-state corporations. Dodd's solution was to set up a nine-man board of trustees. Instead of a corporation issuing stock, Standard Oil became a "trust" issuing "trust certificates." Through this new device, Rockefeller gobbled up the entire industry without worrying about breaking corporate antimonopoly laws. The idea was soon copied in other industries, and by the early 1890s, more than 5,000 separate companies had been organized into 300 trusts. Morgan's railroad trust, for instance, owned all but 40,000 miles of track in America.

The trusts and the enormous monopolies kept prices artificially high, prevented competition, and set wages scandalously low. They were obviously not popular among working Americans. Standard Oil became the most hated company in America. These monopolies had been built through graft and government subsidies, on the backs of poorly paid workers whose attempts to organize were met with deadly force. If any vague hope for reform rested in the presidency, it was false hope.

For a generation, beginning with Andrew Johnson's abbreviated term and the Grant years, the President almost seemed superfluous. In 1876, Rutherford B. Hayes (1822–1893) became President because of a fraudulent election that stole the presidency from Democrat Samuel J. Tilden, resulting in a compromise with Southern Democrats that killed congressional Reconstruction and any hope for civil rights in the South. When Grover Cleveland (1837–1908) was elected in 1884, he named William Whitney his Secretary of the Navy. Whitney had married into the Standard Oil fortune and set out to build a "steel navy" by buying Carnegie steel at inflated prices.

Attempts at "reform" were mostly dogs without much bark or bite, intended to mollify a public sick of corruption. The Interstate Commerce Commission, established during Cleveland's administration to regulate railroads, was a charade for public consumption. Cleveland's successor, Benjamin Harrison (1833–1901) was a former railroad attorney who had broken railroad strikes as a soldier. During his tenure, as a reaction to public sentiment, Congress passed the Sherman Anti-Trust Act of 1890, named for Senator John Sherman, brother of General William Tecumseh Sherman, for the purpose of protecting trade against "unlawful restraints."

It was a weak law made even more puny when the Supreme Court ruled in 1895 that a company owning 98 percent of the nation's sugar-refining capacity was a manufacturing monopoly, not one of commerce, and was therefore immune to the law. During an extremely conservative, pro-business period, the high court also ruled that Anti-Trust laws could be used against railway strikers who were "restraining trade." This Alice-in-Wonderland court took its perverse interpretations another step when it ruled that the fourteenth Amendment, passed to guarantee the rights of freed slaves, was a protection for corporations, which the court said were "persons deserving the law's due process."

American Voices

From Andrew Carnegie's article "Wealth," (published in the *North American Review*, 1890):

> The Socialist or Anarchist who seeks to overturn present conditions is to be regarded as attacking the foundation upon which civilization itself rests, for civilization took its start from the day when the capable, industrious workman said to his incompetent and lazy fellow, "If thou dost not sow, thou shalt not reap," and thus ended primitive Communism by separating the drones from the bees. One who studies this subject will soon be brought face to face with the conclusion that upon the sacredness of property civilization itself depends—the right of the laborer to his hundred dollars in the savings bank, and equally the legal right of the millionaire to his millions. . . . Not evil, but good, has come to the race from the accumulation of wealth by those who have had the ability and energy to produce it.

Of what was William Tweed "boss"?

In New York, quite a bit of energy and ambition were directed toward acquiring wealth. But it was being acquired through massive corruption. The epidemic of greed didn't begin or end with Washington and the great captains of industry. It extended to the local level, most notoriously in New York, the seat of power of William Marcy Tweed (1823–1878), the infamous "Boss" of Tammany Hall. The word *Tammany* was a corruption of the name *Tamanend*, who was a Delaware Indian chief of the early colonial period said to be "endowed with wisdom, virtue, prudence, charity." These were qualities in conspicuously short supply in the club named for the chief.

Tammany began as one many fraternal societies that adopted Indian names in post-Revolution days. Unlike the Society of Cincinnatus, which was reserved for Washington's officers, groups like Tammany were for the common soldier, and their political value soon became apparent to clever power brokers like Aaron Burr and Martin Van Buren. By the time of the Civil War, the clubs not only had pull, but had become quite corrupt, serving as a conduit for government contracts to crooked suppliers who sold the Union shoddy blankets and maggot-ridden meat.

A mechanic by trade, Tweed rose to his greatest heights of power ostensibly as chief of the Department of Public Works in New York City. But that small title gave no sense of the grip he possessed on almost every facet of city life. As the leader of Tammany Hall, the New York City Democratic clubhouse, he built a simple but effective means of control. In exchange for the votes of the waves of immigrants, factory workers, disenchanted homesteaders returning to the city, and even their dead relatives, Tweed and his "Ring" arranged small "favors"—a job, an insurance settlement. With these votes, Tweed could maneuver favorable bills through the New York legislature at will. Rich in electoral votes, New York also wielded immense political clout in presidential politics, and Tweed used this power as well. Fraudulent contracts, patronage in the highest offices, kickbacks, false vouchers—all the usual tools of corruption were raised to an art form by Tweed's Tammany Club.

Tweed's most notable opponent was the cartoonist Thomas Nast, who once received an offer of $500,000 from Tweed not to run a particular cartoon. Tweed could well afford the bribe; conservative estimates of his rape of New York's treasury ran upwards of $30 million on every deal in New York from the building of the Brooklyn Bridge to the sale of the land for Central Park.

It was only when a Tweed associate felt shortchanged that Tweed got into trouble. In 1872, Samuel Tilden (1814–1880), a reform Democrat and future governor of New York who later lost the White House in an election scandal that stripped him of the electoral votes he rightfully deserved, finally won a conviction of Tweed. Sentenced to twelve years in jail, the "Boss" escaped to Cuba and then to Spain, only to be returned by Spanish authorities despite the lack of an extradition treaty between the two countries. While in jail, Tweed made a full and damning confession, expecting immunity. But he died in prison, the only member of the Ring to be convicted.

Tammany's shenanigans did not end with the breakup of the Tweed Ring. Powerful "sachems" continued their hold on New York's legislature into the twentieth century. When Theodore Roosevelt entered the New York State legislature in the 1880s, Tammany's influence was still prevalent in state politics, and the club held the key votes that controlled almost all legislation.

One of the most colorful of Tammany's "sachems" was George Washington Plunkitt, who once instructed a newspaper reporter on the distinction between "honest" and "dishonest" graft. "There's an honest graft," said Plunkitt, "and I'm an example of how it works. I might sum up the whole thing by sayin': 'I seen my opportunities and I took 'em.'. . . I'm tipped off, say, that they are going to lay out a new park at a certain place. . . . I go to that place and I buy up all the land I can and then there is a rush to get my land. Ain't it perfectly honest to charge a good price and make a profit on my investment and foresight? Of course, it is. Well, that's honest graft."

What happened at Haymarket Square?

While the wealth piled higher in the houses of Morgan and Rockefeller, the working men and women of America fell deeper and deeper into poverty, victimized by the periodic depressions of the late nineteenth century. The forces of labor were slow to organize, confronted by the combined power of the businessmen and banks working in league with state and federal governments. Unions also had to contend with the natural difficulties of organizing workers who did not all speak the same language and were suspicious of each other. The Irish hated the Italians. The Germans hated the Irish. They all hated the Chinese. And, of course, blacks were beyond the pale to most white workers. The idea of integrated unions was unspeakable to white workingmen, most of whom were preoccupied with fighting for jobs rather than with obtaining decent wages and safer conditions.

But small gains had been made. In 1860, shoe workers in Lynn, Massachusetts, organized a strike on Washington's Birthday. At their peak, the strikers numbered 10,000 workers marching through the city. While refusing to recognize the union, the factory owners conceded on wages, and it counted as the first real victory in American labor history.

It would be a long time before labor could claim another one. The post–Civil War period was littered with the bodies of strikers who were killed by strikebreakers, hired guards, or soldiers. Among those worst off were coal miners, who faced nightmarish dangers for pennies. In 1875, in Pennsylvania, a group of Irish coal miners organized as the "Molly Maguires," taking their name from an Irish revolutionary organization. Infiltrated by an in-former, the Molly Maguires were accused of violence, leading to the execution of nineteen members of the group.

Two years later, in 1877, there were massive railroad strikes spreading across the country, brought on by wage cuts imposed on workers already laboring twelve hours a day for low pay. By the time this wave of strikes was over, more than a hundred people had died and a thousand strikers were jailed. But the idea of organized labor had begun to take root, and the first generation of powerful national unions was emerging. The first was the Noble Order of the Knights of Labor, begun in 1869, which quickly acquired a large measure of political and negotiating power. In 1884, Robber Baron Jay Gould suffered the indignity of bargaining at the same table with the Knights, whose membership blossomed to more than 700,000. But the history of the Knights would end in smoking disaster.

In Chicago, in 1886, the Knights of Labor were involved in a strike to force an eight-hour workday. On May 3, 1886, strikebreakers at the McCormick Reaper Company were attacked by striking workers, and police fired on the crowd, killing six and wounding dozens more. The next day, several thousand people gathered at Haymarket Square to protest the police action. As the police arrived to break up the rally, a bomb was thrown into their midst, killing seven officers.

Although there was no real evidence, blame fell on anarchist labor leaders. Anarchists were those who believed in the replacement of government with free cooperation among individuals. Fears of anarchist cells in America's cities incited a wave of panic across the country. Within months, several anarchist labor leaders were tried and quickly convicted. Some of them were hanged, and others received life sentences. (In 1893, three surviving anarchists still in prison were pardoned by German-born governor John Altgeld, who was convinced of their innocence but committed political suicide with the pardon.) Tarred with the anarchist brush after the Haymarket Square Riot, the Knights of Labor were badly discredited. By 1890, their membership had fallen to 100,000.

Their place would be filled by two more powerful leaders,

Eugene V. Debs (1855–1926) and Samuel Gompers (1850–1924). Debs's labor career began with work as a locomotive fireman—a dirty, dangerous job, as was almost all railroad work of the period. Thousands of workers were killed or maimed each year in accidents and boiler explosions. In the midst of another severe economic depression in 1893, Debs organized the militant American Railway Union, which absorbed remnants of the Knights of Labor and called for a strike in 1894 against the Pullman Car Company. Since Pullman cars were to be found on almost every train in the country, the strike soon became national in scope. The strike peaked when 60,000 railworkers went out, and the federal government, at the railways' behest, stepped in. Attorney General Richard Olney, a former railroad lawyer, declared that the strike interfered with federal mails; the Supreme Court agreed, and President Grover Cleveland called out troops to suppress the strike. After a pitched battle in Chicago, in which strikers were killed, Debs was arrested and jailed for contempt of court. He later joined the Socialist Party and ran for President five times.

Cigarmaker Samuel Gompers played it far more safely. Making the sweatshops of the Lower East Side of New York his base, Gompers wasn't interested in utopian dreams of improving society. Rather than organizing for political ends, Gompers stuck to "bread and butter" issues such as hours, wages, and safety, organizing the American Federation of Labor (AFL) as a collection of skilled craft unions. Presiding over the AFL almost continuously from 1886 to 1924, Gompers used the strike fiercely and effectively, winning eight-hour days, five- and six-day work weeks, employer liability, mine safety reforms, and, above all, maintaining the right of collective bargaining, a term that is accepted entirely today, but that reeked of Communism when it was introduced. The AFL's effectiveness in working for laborers' specific interests rather than for the broad social changes sought by anarchists or socialists showed in its growth. With about 150,000 members in 1886, the union passed the million-member mark in 1901.

They were impressive gains, but they might have been larger. The Federation had a great shortcoming, however, that hurt it morally and probably reduced its effectiveness in the long run. The AFL had hung out a sign that read "No Colored Need Apply."

American Voices

Samuel Gompers (1894):

Year by year man's liberties are trampled underfoot at the bidding of corporations and trusts, rights are invaded and law perverted. In all ages wherever a tyrant has shown himself he has always found some willing judge to clothe that tyranny in the robes of legality, and modern capitalism has proven no exception to the rule.

You may not know that the labor movement as represented by the trades unions, stands for right, stands for justice, for liberty. You may not imagine that the issuance of an injunction depriving men of a legal as well as a natural right to protect themselves, their wives, their little ones, must fail of its purpose. Repression or oppression never yet succeeded in crushing the truth or redressing a wrong.