

*L3: From Industrial Revolution to The Gilded Age:
The Rise of the Corporation
The Shifting Size and Scope of the National Government*

Agenda

Objective:

To understand

1. The Industrial Revolution
2. How the Industrial Revolution gave way to the Gilded Age
3. The structure of corporations.
4. The central role of corporations in the Gilded Age.
5. What the Gilded Age is

Schedule:

1. Discussions & Lecture

Homework:

Unit Work

- Nothing for now...

Thesis Work:

- Assign #9
Draft Due:
Fri 1/31 by
2:30 for both
classes!

Where Are We in Our Story?

- Last class we described the size and scope of the American government from the founding to the mid 1800s?
- How did we describe it?

Enter: The Industrial Revolution

- Into this landscapes comes a major economic shift in America: The Industrial Revolution!

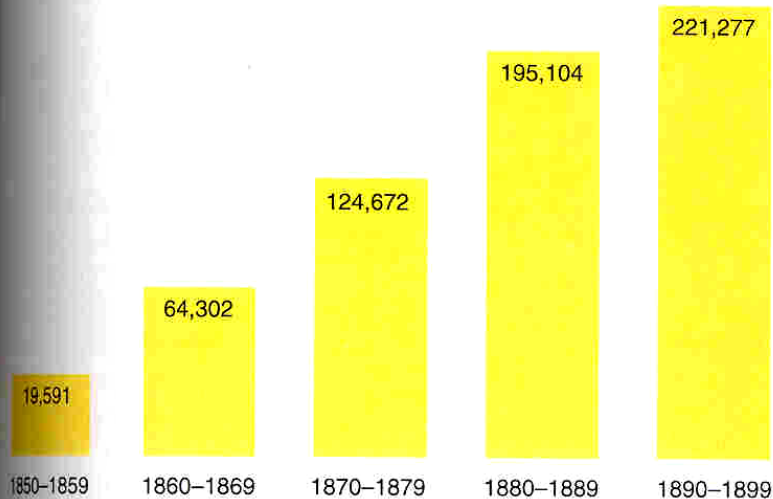


Understanding the “Revolutions” of the Industrial Revolution

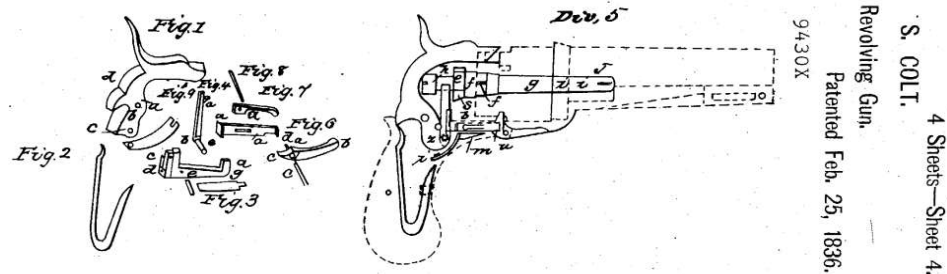
- What is the Industrial Revolution?
- Five revolutionary changes produced as a result of the Industrial Revolution:
 - Market Revolution
 - Transportation Revolution
 - Labor Revolution
 - Wealth Revolution
 - Philosophical Revolution

Market Revolution: What is it?

PATENTS ISSUED, BY DECADE, 1850–1899



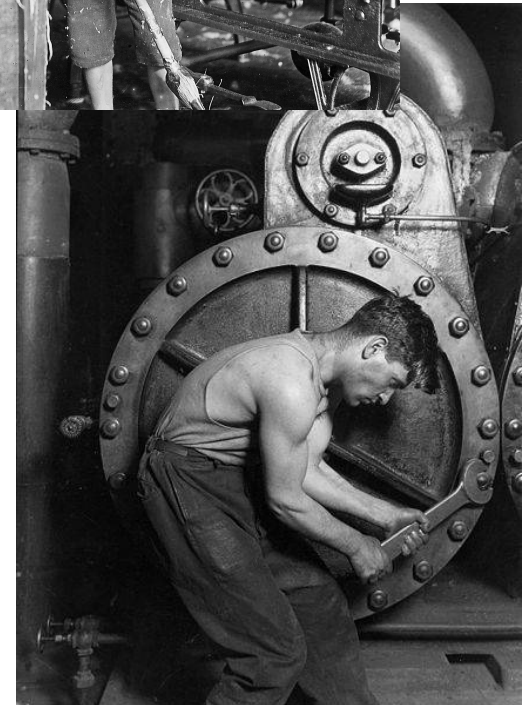
Source: U.S. Bureau of the Census, *Historical Statistics of the United States, Colonial Times to 1970*, Bicentennial Edition, Washington, D.C., 1975.



	1860	1900	% INCREASE
FACTORIES	140,500	510,000	263
VALUE FACTORY PRODUCTION	\$1.9 bil	\$13 billion	584
INDUSTRIAL WORKERS	1.3 mil	5.1 mil	292
PATENTS ISSUED	4,589	95,573	1,983
OIL	500,000 barrels	45,824,000 barrels	9,065
RAILROADS	30,000 miles	193,000 miles	543
STEEL	13,000 tons	10,382,000 tons	7,9762
Gross National Product	\$7 billion	\$19 billion	171

Labor Revolution: What Is It?

TIME TABLE OF THE LOWELL MILLS,		
Arranged to make the working time throughout the year average 11 hours per day. TO TAKE EFFECT SEPTEMBER 21st., 1853. The Standard time being that of the meridian of Lowell, as shown by the Regulator Clock of AMOS SANBORN, Post Office Corner, Central Street.		
From March 20th to September 19th, inclusive.		
COMMENCE WORK, at 6.30 A. M. LEAVE OFF WORK, at 6.30 P. M., except on Saturday Evenings. BREAKFAST at 6 A. M. DINNER, at 12 M. Commence Work, after dinner, 12.45 P. M.		
From September 20th to March 19th, inclusive.		
COMMENCE WORK at 7.00 A. M. LEAVE OFF WORK, at 7.00 P. M., except on Saturday Evenings. BREAKFAST at 6.30 A. M. DINNER, at 12.30 P. M. Commence Work, after dinner, 1.15 P. M.		
BELLS.		
From March 20th to September 19th, inclusive.		
<i>Morning Bells.</i>	<i>Dinner Bells.</i>	<i>Evening Bells.</i>
First bell,.....4.30 A. M. Ring out,.....12.00 M. Ring out,.....6.30 P. M.		
Second, 5.30 A. M.; Third, 6.20. Ring in,.....12.35 P. M. Except on Saturday Evenings.		
From September 20th to March 19th, inclusive.		
<i>Morning Bells.</i>	<i>Dinner Bells.</i>	<i>Evening Bells.</i>
First bell,.....5.00 A. M. Ring out,.....12.30 P. M. Ring out at.....7.00 P. M.		
Second, 6.00 A. M.; Third, 6.50. Ring in,.....1.05 P. M. Except on Saturday Evenings.		
SATURDAY EVENING BELLS.		
During APRIL, MAY, JUNE, JULY, and AUGUST, Ring Out, at 6.00 P. M. The remaining Saturday Evenings in the year, ring out as follows:		
SEPTEMBER.	NOVEMBER.	JANUARY.
First Saturday, ring out 6.00 P. M.	Third Saturday ring out 4.00 P. M.	Third Saturday, ring out 4.25 P. M.
Second " " 5.45 "	Fourth " " 3.55 "	Fourth " " 4.35 "
Third " " 5.30 "		
Fourth " " 5.20 "		
OCTOBER.	DECEMBER.	FEBRUARY.
First Saturday, ring out 5.05 P. M.	First Saturday, ring out 3.50 P. M.	First Saturday, ring out 4.45 P. M.
Second " " 4.55 "	Second " " 3.55 "	Second " " 4.55 "
Third " " 4.45 "	Third " " 3.55 "	Third " " 5.00 "
Fourth " " 4.35 "	Fourth " " 4.00 "	Fourth " " 5.10 "
Fifth " " 4.25 "	Fifth " " 4.00 "	
NOVEMBER.	JANUARY.	MARCH.
First Saturday, ring out 4.15 P. M.	First Saturday, ring out 4.10 P. M.	First Saturday, ring out 5.25 P. M.
Second " " 4.05 "	Second " " 4.15 "	Second " " 5.30 "
		Third " " 5.35 "
		Fourth " " 5.45 "
YARD GATES will be opened at the first stroke of the bells for entering or leaving the Mills.		
. SPEED GATES commence hoisting three minutes before commencing work.		



Wealth Revolution: What is It?

Wealth In Boston: 1687-1848 Percent of Wealth Held

	1687	1771	1833	1848
Top 1%	10%	16%	33%	37%
Top 10%	42	65	75	82
Lowest 80%	39	29	14	4

Transportation Revolution: What Is It?



Philosophical Revolution: What Is It?

“Self-Help”

“Thrift”

“Social
Darwinism”

“Laissez-
Faire”

The Industrial Revolution Morphs Into A Gilded Age

- By 1870, the American economy was growing considerably into a national market providing mass produced products made in factories.
- But, most the ownership of these factories were still held as sole proprietorships.
 - What is a sole proprietorship?
- Why is it difficult for a sole proprietorship to own run of these factories?
 - Consider: Costs?, What happens if there is a loss?, Raising capital? What happens if the owner retires or dies?



How does the Industrial Revolution Morph into the Gilded Age?

- The problems associated with running a factory (or factories) under a sole proprietorship, give way to need to create a new business structure better matched to govern the needs of large, national, industrial enterprises.
- That business model: **The Corporation**
- It is the introduction of the corporation and its associated tensions that define the Gilded Age; that move us from the Industrial Revolution to the Gilded Age.



Corporation

- What is it?
What are its
defining
features?



Corporation

Ownership & Direction:	
Profits Accrue To:	
Losses Incurred To:	
Revenue is Raised By:	
Life of the Company:	

Corporation

Ownership & Direction:	Share-Holders; in proportion to the number of shares owned
Profits Accrue To:	Share-Holders; in proportion to the number of shares owned
Losses Incurred To:	Share-Holders; losses cannot exceed the amount they paid for their share (limited liability)
Revenue is Raised By:	Selling Stock
Life of the Company:	Perpetuity

Corporations

- Why is the creation of a corporation necessary in an industrializing, nationalizing economy?

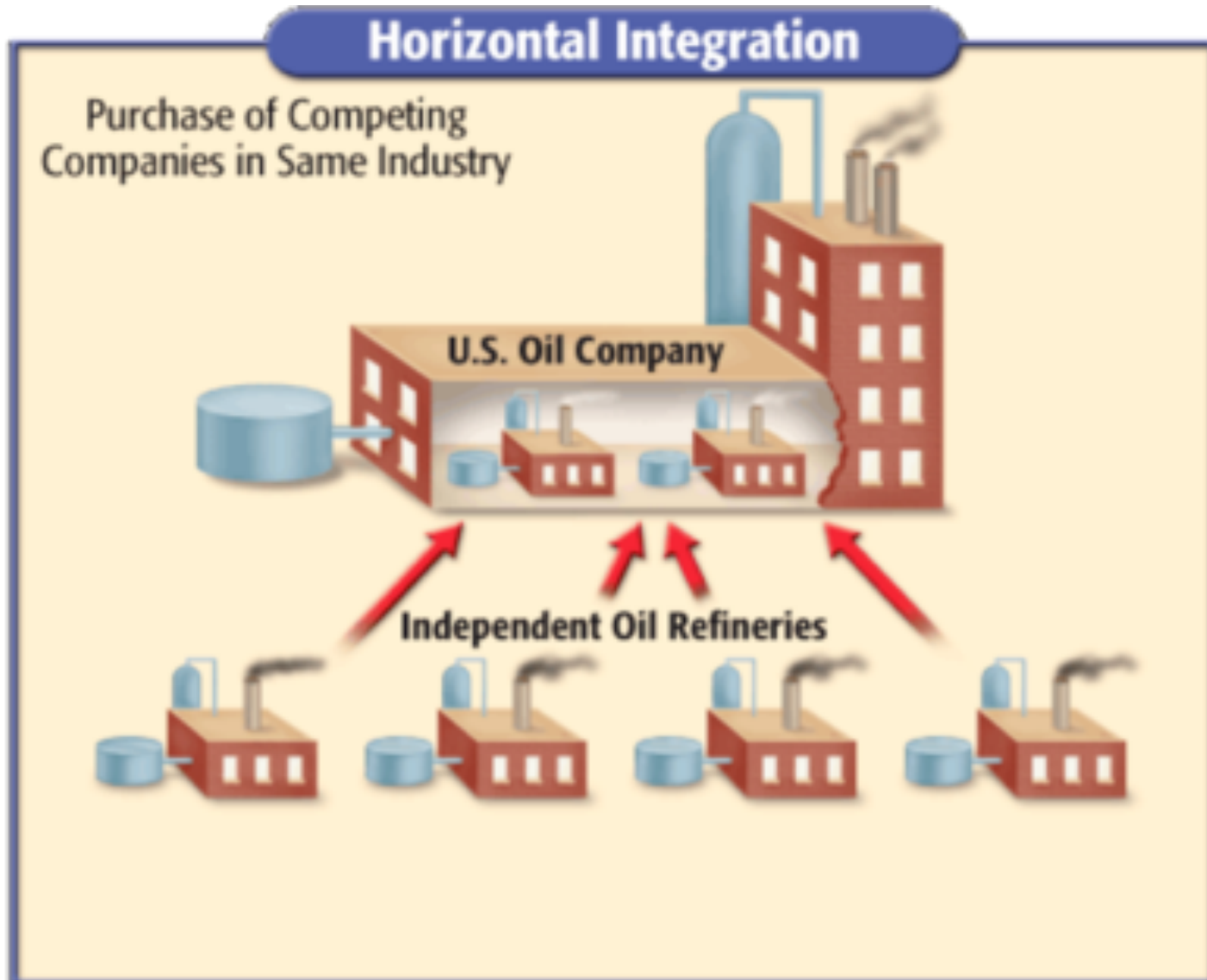
Structure of Corporations During The Gilded Age

- Corporations tended to be structure in one of three unique ways during the Gilded Age
- We will talk about three structures:
 - Horizontal Integration
 - Vertical Integration
 - Monopoly

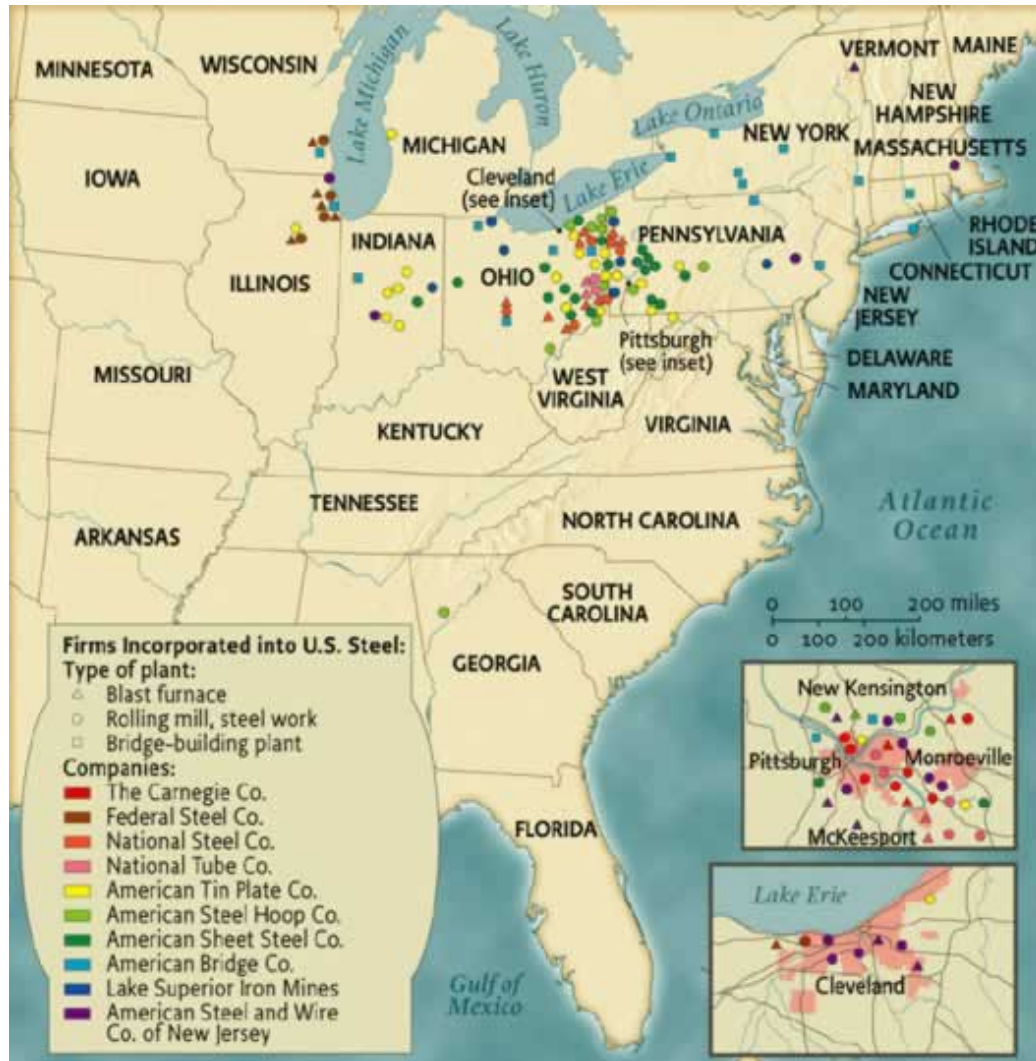
Vertical Integration



Horizontal Integration



Vertical and Horizontal Integration in the Steel Industry: The Case of U.S. Steel



Companies incorporated by U.S. Steel (vertical integration), as well as related industries absorbed by the company (horizontal integration).

Monopoly



Corporations and the Gilded Age

- The emergence of corporations start to change our story now...
- How is the existing size and scope of the U.S. Government going to become complicated by the presence of corporations?
 - What new questions about the role of government are going to be asked?

So What is The Gilded Age?



- Refers to the decades between the end of reconstruction and the turn of the century (about 1870 to 1900).
- Defining feature is the creation of the corporation and its consequences
- Time in which the government made deliberate decisions about how and when to intervene (and when not to intervene) in economic, political, and personal life in new ways.

The Gilded Age: What is it? What makes it gilded?

