Labor, Industry, and Regulation during the Progressive Era

Daniel E. Saros

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In loving memory of Earl C. Smith, who lost his life while working for General Tire and Rubber Company in Akron, Ohio on January 16, 1977

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Introduction

During the latter half of the nineteenth century, the American economy experienced a dramatic transformation in the social organization of capitalist production. As the harsh realities of capitalist society manifested themselves in the form of a global economic crisis, it became clear that the existing social structure was no longer capable of supporting stable economic growth. The dominance of the small business enterprise and its intensely competitive nature, the prevalence of highly skilled workmen and their considerable bargaining power, and a government that was unable or unwilling to effectively stabilize economic conditions all rendered continued economic expansion and capital accumulation increasingly difficult under the circumstances. The inability of businesses to earn consistent profits and accumulate capital rapidly led to numerous bankruptcies, falling commodity prices, poor working conditions, and the onset of a global economic crisis.

At the close of the nineteenth century, the U.S. economy embarked on its long-awaited recovery. Financial and industrial capitalists formed an alliance in an effort to create a new set of economic relationships through which stable profits would be ensured for the future. It was first necessary to eliminate the inherently destructive and inefficient competition that had contributed to the severe economic crisis of the past thirty years. This strategy required industrial capitalists to cooperate far beyond the gentlemen's agreements and pooling arrangements of the 1870s and 1880s. The inherent difficulties associated with the enforcement of such loose arrangements required a fundamental change in the pattern of property ownership itself. The solution required the combination of massive amounts of capital into the hands of a relatively small number of businessmen who strove to stabilize markets and encourage restricted competition rather than the fierce competition then prevalent. After the severe depression of 1893–1897, a wave of mergers led to the rise of large trusts and combines and marked a basic shift in the organization of capitalist production in the United States.

It is common for scholars and historians to identify early twentieth century America with the dominance of monopoly capital and restricted competition. This impression has often been misleading as in many cases competition became more intense as capital became increasingly concentrated. The tendency for competition to intensify was especially prevalent during the merger wave of the late 1890s when many businesses expanded operations to begin competing with former suppliers of raw materials or the former buyers of their semi-finished commodities. After the consolidation movement, the growth of the large corporation also failed to eliminate the competitive nature of the small and medium-sized rival. Smaller rivals continued to pursue higher profits and larger shares of the market than their larger competitor in many instances. New methods of restraining competition did become feasible, however, once a giant trust securely established itself as the leader of a particular industry. Disciplinary tactics and other means of persuasion were used to discourage smaller firms from returning to the intense price competition of the previous century. America's corporate leaders engineered a concerted effort to *control* the inherent instability of markets for raw materials, labor power, and finished commodities. The extent to which the leaders of industry were successful in their efforts to suppress the competitive spirit of the small and medium-sized rival carried important implications for the development of their industries.

While the leaders of the newly consolidated industries were struggling to directly modify the behavior of competitors, they were also engaged in a coordinated, national effort to influence governmental policy. Special organizations were formed during this period with the explicit goal of creating a national consensus on policy issues and drafting legislation for the further rationalization and stabilization of American industry. The National Civic Federation (NCF) founded in 1900 is the most notable example of an organization created by the leaders of big business with an explicit policy agenda in mind that ran counter to the ideological disposition of most business leaders in the late nineteenth century. Other organizations, such as the National Association of Manufacturers (NAM) and the American Anti-Trust League, continued to represent the traditional interests of small businesspeople during the early twentieth century. The conflict among large and small capitalists thus also manifested itself in the formation of such rival organizations. Each group sought to influence public policy with the ultimate goal of establishing greater control over business conditions in a manner that would best serve their economic interests.

As America's corporate leaders were attempting to modify the relationships among capitalists and influence the behavior of the state, the American workforce was in the midst of an enormous transformation. If the creation of a large class of wage laborers accurately describes changes in the American workforce during the mid-nineteenth century, then during the late nineteenth century America's wage labor force had its skills gradually eroded through the introduction of large-scale machinery and mechanized production processes. The creation of a large national labor market as immigrants from Eastern Europe entered the United States contributed further to the power of capital over labor in the sphere of exchange as well as production. The growth of labor organizations and the tense capital-labor relations led to numerous severe strikes during the late nineteenth century including the 1877 railroad strikes, the Haymarket Square riot in 1886, and a series of violent mine strikes in the western United States during the 1890s. The mechanization of production and the changing composition of the American workforce were significant factors leading to the intense conflicts of the period that continued throughout the progressive era.

The leaders of the consolidated industries at the beginning of the twentieth century were not blind to the role of labor conditions for their agenda of rationalization and stabilization for American industry. Corporate policies regarding wages, hours, and working conditions affected production costs and profits. Unlike the small business enterprises of the past, however, that always forced costs to the lowest level attainable in an effort to compete, the giant trusts and corporations were forced to proceed with much more subtlety. Constant pressure from the public, labor organizations, small business interests, and federal and state governments forced the corporate giants to engage in a balancing act. In many instances, the large combines refrained from exerting or displaying the full extent of their power over labor or their competitors.[1] Corporate welfare policies aimed at mollifying labor or industrial organizations that reassured competitors of the right to a peaceful coexistence with one another were frequent methods used to defuse hostile critics of the new social order.

In the context of this historical background, the precise nature of the alternative economic structure established at the beginning of the twentieth century becomes a question of considerable historical interest. How effectively this alternative structure managed to overcome the contradictions of its predecessor carries important implications for the ability of capitalism to survive its destructive tendencies. A sizable literature exists that has explored the historical development of this period in American history including Gabriel Kolko's *The Triumph of Conservatism* (1967) and James Weinstein's *The Corporate Ideal in the Liberal State: 1900–1918* (1968). This work has challenged traditional conceptions of the "progressive period" in American history by shifting its emphasis from middle-class and other social reformers to the manner in which business establishments used their power to shape social policy and protect existing property relations.

The work of historians has contributed greatly to our understanding of the development of American industry during this period. On the other hand, historians have not provided a systematic theoretical framework for understanding how the institutional structure of the period shaped the performance of the newly consolidated industries. Radical political economists have constructed a framework for the analysis of the economic history of capitalism known as *social structure of accumulation* (SSA) theory.

According to SSA theory, the history of capitalism may be comprehended as an alternating series of long periods of relative economic stability and growth (i.e., social structures of accumulation) on the one hand and economic crisis and decay on the other hand. A specific set of institutions forms the foundation of each SSA and defines its specific characteristics. For example, the relationships between capital and labor or between the state and capital help form the institutional environment of a particular SSA and thus help determine the conditions for economic growth and profitability. At the beginning of the twentieth century, the growth of monopoly power, the redefinition of capital/labor relations, the increased state regulation of the economy, and the development of a new economic ideology were all characteristic of a shift towards the creation of a new SSA in U.S. economic history.

Upon reflection, it is not at all clear why the hostile capital-labor relations of the late nineteenth century persisted throughout the progressive era when giant corporations were striving to eliminate the worst excesses of competition and free markets that had been associated with the late nineteenth century. The application of the tools of radical economic analysis to this period in American history has the potential to provide an explanation for this rather puzzling collection of historical facts.[2] SSA theorists have traditionally investigated the relationship between the institutional structure of capitalist economies and traditional measures of capitalist performance (e.g., output, profit rates). To comprehend the hostility of capital-labor relations in the United States during the early twentieth century, it is necessary to examine the relationship between their specific character and the level of economic performance they helped achieve. This necessity stems from the fact that periods of regulation, and the progressive period in particular, are often interpreted solely as reactions of the middle and lower classes against the worst excesses of free markets. Therefore, the reinterpretation of this period requires a reconsideration of basic business objectives and the extent to which hostile capital-labor relations contributed to enhanced profitability. Although it is not theoretically possible to isolate a single key institutional factor (e.g., capital-labor relations) when investigating the performance of a capitalist economy, it is theoretically necessary to include it in an overall explanation of that performance in a way that is coherent.

An analysis of the dialectical relationship between capital and labor during the progressive era, although interesting in its own right, may prove critical to an analysis of the present period in world history. The neo-liberal social structure was formed in the aftermath of the crisis conditions of the 1970s and early 1980s, complete with an unstable price level, high rates of unemployment, and social instability. The failure of neo-liberalism to revive global rates of capital accumulation and economic growth has led some contemporary theorists, such as David Harvey, to conclude that the creation of a new neo-liberal order had far more to do with the restoration of elite capitalist class power than with the stated goals of that ideological undertaking. In response to the contradictions inherent in neo-liberal thought and practice, new institutions and structures of elite class power may be forming under the ideological banner of neo-conservatism. To the extent that this process of social transition parallels the transformation of the U.S. economic structure at the end of the nineteenth century, our present scrutiny of the past may offer a dire warning of unintended and disastrous consequences in our future. These critical linkages and historical parallels are discussed at far greater length in the first chapter and in the conclusion.

The project of applying social structure of accumulation analysis to the progressive era is massive in scope. Like today, the U.S. economy during the early twentieth century was composed of many distinct industries each having its own specific institutional features. For example, while the steel and oil industries were highly consolidated by the early twentieth century, other industries retained a competitive structure such as the mining and apparel industries (Gordon et al., 1982: 158–159). Far-reaching historical statements should thus be made with considerable caution. It is for this reason that the present study concentrates on the institutional structure and performance of a single industry during the early twentieth century. The industry selected has been chosen because it has been, in many ways, the bedrock of American industry throughout much of the twentieth century. It also magnifies the puzzling historical facts alluded to above in that it was reorganized through consolidation at the beginning of the twentieth century in an industry-wide effort to control and stabilize markets and yet its treatment of labor culminated in one of the greatest strikes in American labor history. The American iron and steel industry is thus an appropriate choice for a detailed case study that aims to reconcile the seemingly contradictory coincidence of highly regulated markets and intense capital-labor conflict.

The application of what is essentially a macroeconomic theory of historical development (such as SSA theory) to the development of a particular industry (such as the iron and steel industry) is a relatively unusual approach. To the extent that they use industry histories, it is more common for SSA theorists to use them as a basis for theorizing about the exploration, consolidation, or decay of a particular SSA. The motivation for this research is the author's belief that the broad framework of SSA theory has the potential to help explain developments in the American iron and steel industry during a critical period in its history while concretizing our understanding of the institutional structure of early twentieth century America.

It should come as no surprise that the SSA literature and the literature pertaining to the history of the American iron and steel industry have not touched each other in any systematic or conscious way at the present time. One reason is that SSA theorists have traditionally neglected micro-oriented research, choosing instead to concentrate on macroeconomic issues. On the other hand, labor historians are more likely to let historical detail