Thoughts on Periodizing the Gilded Age: Capital Accumulation, Society, and Politics, 1873-1898

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There was once a time in the not too recent past when scholarly discussion and debate over periodization was central to the task of writing and thinking about the Gilded Age and Progressive Era. Scholars such as Richard Hofstadter, Robert Wiebe, and Samuel P. Hays applied versions of modernization theory to the late nineteenth and early twentieth centuries to produce what came to be known as the “organizational synthesis.” A competing periodization centered on the rise of the large business corporation appeared in works by Martin Sklar, James Weinstein, and James Livingston. Since the 1970s, however, the new social and cultural history has introduced a multitude of new fields and perspectives. By the 1980s, the perceived fragmentation of history had generated an appeal for “synthesis.” In 1986 Thomas Bender called for new and intelligible narrative plots that would transcend “recent scholarship with its intensive specialization, fragmentation, and preoccupation with groups.” Yet, since then, occasional attempts to synthesize have been stillborn, and for the Gilded Age as well as for the Progressive Era the search for synthesis seems to have reached a cul-de-sac with no exit in sight.

This article is a revised and expanded version of a paper delivered at the Annual Meeting of the Organization of American Historians, Boston, March 26, 2004. I would like to thank John Enyeart, John B. Jentz, David Nichols, Norton Wheeler, and two anonymous reviewers for their helpful comments.

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3Thomas, Bender, “Wholes and Parts: The Need for Synthesis in American History,” Journal of American History, 73 (June 1986): 120-36, quotes at 120 and 136; see also “A Round Table: Synthesis in American History” The Journal of American History, 74 (June 1987); for Bender's latest thinking see “Strategies of Narrative Synthesis in American History,” American Historical Review 107 (February 2002): 129-53. It is noteworthy that the most important recent attempt at periodization of the Gilded Age came from a political scientist rather than a hist-

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This essay does not attempt to bring unity and coherence to the proliferating new histories and to create out of them a synthesis of the late nineteenth century or Gilded Age. Such an endeavor may well be Sisyphean. The new perspectives, topics, and exploding information that have been produced in the past three decades are too heterogeneous and many of the monographs of these new histories too specialized to be susceptible to “synthesis.” In any case, periodization does not depend on synthesizing all the work in the field of history into a single comprehensive narrative. Rather, it involves creating a theoretically based framework in narrative form delimited by time boundaries. Such a framework must make enough sense to historians working in a variety of sub-fields and perspectives to generate questions and hypotheses of common interest, allowing them to speak to one another across the boundaries of their scholarship in the service of this larger paradigm.4

This essay offers some thoughts and suggestions relevant to constructing a historical paradigm or periodization for the Gilded Age. It begins with a discussion of the need for a more rigorous periodization of this period and why the last major attempt to periodize late-nineteenth-century American society using modernization theory was flawed. After considering the limits of more recent approaches, the essay proceeds to discuss the much-debated antebellum transition to capitalism, examining the historiography positing the existence of a pre-capitalist household economy and the more recent work arguing for a “market revolution.” It then argues for using Karl Marx’s concept of simple commodity production, a non-capitalist mode of production lacking both capital accumulation and the social relations of capitalism, to describe the small family commercial farms on which most white Americans worked and lived in the first half of the nineteenth century. The essay proceeds to examine recent work providing evidence supporting that...
contention and detailing how simple commodity production with its close interrelations to slavery, household manufacturing, and emergent capitalist enterprise dissolved, giving way to a political economy of capital accumulation by the early 1870s.

The body of the essay examines the 1870s and 1880s using political developments in New York and Chicago to describe the rise of a dominant capitalist class and a permanent wage-labor class co-existing in interrelation with simple commodity production and remnants of older modes of production. Three key developments in 1873-74 inaugurated the period we call the Gilded Age: the start of a crisis period of capital accumulation characterized by “overproduction,” a reconstruction of the party-electoral system directly attributable to that crisis, and the rise of class antagonisms which erupted intermittently into broad social upheavals. Much of the rest of the discussion of the Gilded Age examines the transition to this era within the thinking of labor leaders. The remainder of the essay creates a “book-end” for the Gilded Age in the appearance during this period of key elements of “new liberalism” and the subsequent transition from proprietary competitive to corporate capitalism beginning in the late 1890s.

**Periodization and Historiography**

The concept of periodization used here builds on and in some ways departs from the most recent and rigorously theorized periodization scheme, which has been advanced by Martin J. Sklar for the Progressive Era. In this approach, periodization is a derivative of social theory that postulates a society-type existing during a delimited period. It defines that society in terms of its requirements and capacities, that is, those aspects that are necessary and inherently limiting, along with those that make up the society’s range of possibilities or change-potentials. Applying a paradigm to any society in its historical dimension also means understanding it as a dynamic unity of continuity and change. In different words, change must be tracked on a field of continuity, otherwise there is no standard against which to measure it. That field of continuity may be called the “transhistorical” dimension, while the change being tracked is called the “historical.” The former is predictable at least in the short run, while the latter is notoriously changeable. The transhistorical is the deterministic factor in history, while the historical foregrounds human agency.5


5Martin J. Sklar, “Periodization and Historiography,” in *The United States as a Developing Country: Studies In U.S. History in the Progressive Era and the 1920s* (Cambridge, MA, 1992), 2, 3, 6-8; also see Walter Dean Burnham, “Pattern Recognition and ‘Doing’ Political History: Art,
The periodization adopted here draws on the work of Marx but views what is most useful and enduring in Marx as part of a broader common ground created by a host of classical and more recent social theorists from the eighteenth through twentieth centuries, including Adam Smith, James Madison, John Stuart Mill, Henry Maine, Ferdinand Tönnies, Emile Durkheim, Max Weber, John Dewey, Thorstein Veblen, and more recently Karl Polanyi, Barrington Moore, Jr., C. B. Macpherson, and Ellen Meiksins Wood. This approach differs in important ways from mid-twentieth century American modernization theorists, who attained a vogue among contemporary historians of the Gilded Age and Progressive Era. Modernization theory, by creating an abstract model of evolution without a real historical dimension, by inventing flattened universal terms such as industrialization and rational behavior to replace the older classical terms of capital accumulation and profit maximization, and by often seeming to celebrate what classical theorists treated with critical distance, diverted attention from the historical, conflictual, and often destructive aspects of modern development.6

Based on this common ground of classical theory it is possible to periodize American society throughout its history as a self-governing society based on sovereignty of the people (rather than the monarch or the state), the regulative concept of the American constitution. In different words, voluntary associative practices in the sense of making contracts, forming enterprises, and other market activity, defining and debating issues in the public sphere, electioneering, lawmaking, and litigation need to be placed at the center of American life. To classify American society this way is to resist the tendency to view America as essentially capitalist. In constitutional law, the "police power" or regulatory power of government in service to the "general welfare" normally trumps property rights and freedom of contract, especially at the state and local level. To say America is a self-governing society, however, is not to say that it has not been capitalist; it is to say that capitalism was a closely related, but distinct development that could not have existed without political will being exercised.

Politics in the broad sense of the term is critical in understanding how society accommodated the existence of two or more modes of productions during a single time period and how one (or several) mode of production transitioned into another. There were (and are) in fact numerous modes of production in American history in addition to capitalism, including the


household, chattel slave, crop lien-sharecropper, small producer or self-employed labor, and socialist modes of production in the nineteenth and early twentieth centuries. What can be called a “developmental mix” or “social formation” consists of several modes of production held together by market relations and political negotiation. Thus, we know that the mix of chattel slavery, self-employed labor, household labor, and an expanding sphere of capitalist enterprise served as the social basis of the First Republic from the Revolution to the Civil War. The dominant mix of the Gilded Age or Second Republic consisted of a dominant proprietary capitalism in a mix with secondary or declining modes of production including self-employed labor and the Southern commercial planter system. Much of national politics in American history has centered on accommodating the often-divergent interests generated from these modes of production and stabilizing the succession of “mixes”—usually under the hegemony of a dominant mode of production—that constituted the socio-economic matrix of the country in any one period.7

Politics in the shape of assembling diverse coalitions capable of winning an electoral majority also explains the transition from one mode of production to another. Historical research has cast grave doubt on the classical Marxist notion that class conflict—however important—can serve as the central explanation of social change. Whether historians are dealing with the American Revolution, the Republican Party coalition of the 1850s, Progressivism, or the New Deal, it appears that cross-class coalitions consisting of segments of classes and in conflict with other cross-class coalitions transacted fundamental social and economic change.8

We can now turn to periodizing the Gilded Age. The term “Gilded Age” was at first a pejorative term that emerged from the preoccupations of

7On the developmental mix see Sklar, “Periodization and Historiography,” 8-20; on social formation see Barry Hindess and Paul Hirst, Mode of Production and Social Formation: An Auto-Critique of Pre-Capitalist Modes of Production (London, 1977). The amalgamation and interpenetration of modes of production and classes is a commonplace among social historians of the transition from feudalism to capitalism; see, for example, Barrington Moore, Jr., Social Origins of Dictatorship and Democracy: Lord and Peasant in the Making of the Modern World (Boston, 1966). Sean Wilentz views antebellum American society as a “mix” of modes of production; see “The Rise of the American Working Class, 1776-1877” in Perspectives on American Labor History: The Problems of Synthesis, ed. J Carroll Moody and Alice Kessler-Harris (De Kalb, IL, 1989), 83-151, esp. 91.

8The literature on the cross-class rather than single-class character of transformative political movements is too vast to catalog here. For the Civil War, see Eric Foner, Free Soil, Free Labor, Free Men: The Ideology of the Republican Party before the Civil War (New York, 1970). For the Progressive Era, Peter Filene, “An Obituary for the Progressive Movement,” American Quarterly 22 (Spring 1970): 20-34, has led most historians away from single-class explanations and toward broadly political ones, such as Daniel T. Rodgers, Atlantic Crossings: Social Politics in a Progressive Age (Cambridge, MA, 1998). In Sklar’s trenchant formulation: “[C]lass conflicts and changing class relations, corresponding with developing modes of production, generate conditions and pressures for changes of profound effect, but emergent cross-class alignments transact them,” (italics in original). See “Periodization and Historiography,” 19.
1920s Young Intellectuals, particularly Van Wyck Brooks and Lewis Mumford, in their search for a "usable past." Drawing on the portrait of this era as one of "barbarism," and hollowness," historians of the next three decades were less concerned with periodizing this era than with erecting a thesis against which could be measured the antithetical developments in the Progressive Era and New Deal. They borrowed descriptive terms from critics of the Gilded Age, starting with Mark Twain's "Gilded Age" and Matthew Josephson's "Robber Barons." Lewis Mumford famously termed this period "the Brown Decades"; Vernon Parrington, following Mark Twain, called the period "a huge barbeque." As late as 1968, John A. Garraty, in his otherwise excellent survey of the period from 1877 to 1890, gave currency to a Gilded Age characterized by "selfishness, materialism" and "pretentiousness."

Beginning in the 1950s historians applied modernization theory to the Gilded Age, thereby liberating the writing of American history from the grip of the American Progressive tradition. For the first time historians were able to look at American history from the outside in rather than the inside out. Alfred Chandler, Thomas Cochran, and others rehabilitated America's captains of industry from robber barons to creative entrepreneurs. Richard Hofstadter was the first to systematically import social theory into the era with his use of the concept of Weberian origin, "status revolution," to explain the origin of the early Progressives. Urban political historians followed, when they latched onto the sociological distinction between manifest and latent functions developed by the sociologist Robert K. Merton to rethink the Gilded Age big city machine, thereby stripping away the muckraking understanding of urban politics as simply corrupt. Herbert Gutman employed a sociological conception of culture and the work ethic to posit an explanation of Gilded Age immigrant worker revolts against industrial capitalism, thereby transforming labor history. Most of those who applied modernization theory treated the Gilded Age in concert with the Progressive Era and viewed it as part of a larger transition to modernity.

Thus, we get the phrases, “Age of Reform,” “Search for Order,” “Organizational Society,” and the like.12

Though the application of social theory enabled the first systematic attempt at periodization of the Gilded Age, there were serious problems with it. First, the concepts used to periodize didn't adequately distinguish between transhistorical and historical elements. Thus, it is misleading to call the late Gilded Age and Progressive Era an “Age of Reform,” when reform has characterized virtually every period in U.S. history. Likewise, the term organizational revolution and organizational society could characterize the present period as much as the late nineteenth and early twentieth centuries. And when have Americans not searched out some sort of order to their lives? More recently, the idea that Gilded Age America was being “incorporated” reads backward the consequences of the turn-of-the-century corporate merger movement.13 This is only one instance of a larger problem with modernization theory, which is its tendency to find modernity almost everywhere in the period under study and then to contrast it with an earlier period, which is then labeled “traditional” or “pre-modern” with minimal investigation. Modernization theory has also tended to flatten out the bumps in historical development and thereby neglected seriously to calculate the human costs and inequalities of modern society that created social conflict.

By the 1980s, historians of the Gilded Age and Progressive Era turned away from periodization and the question of synthesis. Instead, many embraced what the historian Mary Fulbrook has called “perspectival” paradigms. These so-called paradigms are constituted when historians create new fields of study that grant them new perspectives on old topics. Working class history, women's history, gender history, environmental history and the recent histories of whiteness and masculinity are all examples of perspectival paradigms. Historians with these perspectives have normally tended to accept as a given the older periodization schemes of this era and instead have tried to introduce the notion that the value-neutral processes of modernization were actually sites of contention. Thus, a recent popular textbook treatment of the Gilded Age and Progressive Era by Nell Irvin Painter, *Standing at Armageddon* (1987), leaves out the standard textbook chapters on the transitions to modernity in the spheres of agriculture, industry, and urban life. Instead, she emphasizes depressions and class conflict and offers a narrative history of those who resisted the new urban-industrial order

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13Alan Trachtenberg, *The Incorporation of America: Culture and Society in the Gilded Age* (New York, 1982).
from outside its confines. Other historians have taken the new tendency to its logical conclusion in offering a neo-Populistic, anti-modern reading of the Gilded Age, following in the path of Lawrence Goodwyn’s Populist Moment.

### The Transition to Capitalism

If we return to the study of periodization without neglecting the social dislocations and human costs of modernizing change, we may ask: what would an adequate periodization of the Gilded Age look like? To begin with the South, the epochal defeat of chattel slavery unleashed a commercialization process that created a planter upper class dependent on a mix of labor systems, mainly share-cropping and tenancy, but also wage labor. Self-sufficient yeoman farmers evolved less rapidly into small-scale commodity producers. Both modes of production, along with embryonic industrial capital, developed in semi-colonial relationship to Northern capital.

In the North, which will be the focus of this essay, the Gilded Age can be defined at its start and conclusion by two important transitions: the first, from a self-employed or free labor mode of production to a capitalist one, and the second, a shift from a proprietary competitive capitalist order to a corporate administered one. While the completion of the first transition helps define the beginning of the Gilded Age, the beginning of the second helps define its close, that is, assuming that we keep the standard years for the Gilded Age, 1870s-1890s. Between these two transitions exists the dominant mode of production in the Gilded Age: competitive, proprietary capitalism, which itself was part of a larger mix including secondary or recessive strains of self-employed labor, household production, and in the South, large- and small-scale commercial agriculture.

To begin with the first transition, we must turn to a concept that is inadequately periodized in American historiography, producer society. The first

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15C. Vann Woodward, *Origins of the New South, 1877-1913* (Baton Rouge, 1951); Gavin Wright, *Old South, New South: Revolutions in the Southern Economy since the Civil War* (New York, 1986); Eric Foner, *Reconstruction: America’s Unfinished Revolution* (New York, 1988); for a survey of debates on the nature of late-nineteenth-century economic and social relations in the
historians to apply social theory to nineteenth-century America never distin-
guished between self-employed labor or producer society and capitalist soci-
yety. Hence they never fully grasped the nature and importance of the tran-
sition that occurred in the late nineteenth century. Thus, while Richard
Hofstadter realized that mid- to late-nineteenth-century farmers had adopt-
ed a commercial and entrepreneurial orientation that belied the “agrarian
mythology” he was so anxious to dispel, he called these farmers “capitalis-
tic.” One finds the same inability to distinguish the differences between self-
employed labor and capitalism in Louis Hartz, who despite his brilliant evolu-
cation of Lockean liberalism as the tranhistorical element in American his-
tory, didn’t distinguish capitalist development from that of the small pro-
ducers.  

Since the mid-1970s, the question of capitalist origins has been opened
for vigorous debate with the contention that a “transition to capitalism”
existed in America as well as Europe with its feudal traditions. Rejecting the
consensus view that capitalism arrived “in the first ships,” the new histori-
ans of agrarian life began by positing the existence of a mode of produc-
tion that like feudalism was non- or pre-capitalist. First theorized by
Michael Merrill and James Henretta this “household mode of production”
was characterized by subsistence-oriented production, a limited surplus that
was exchanged in markets only in exceptional circumstances, family-based
labor, and a “moral economy” in which kinship and community values such
as interdependence and reciprocity overshadowed individualism and acquisi-
tiveness. Since then, a host of empirical work has documented this pic-
ture. Thus, one influential study contends that as late as the 1840s, “despite
the growing emphasis on the market..., the farmer who was able to provide
virtually everything for his farm and family from the farm was regarded a
success...even in a relatively well-developed area such as New York State.”
The watershed away from self-sufficiency into market dependency in
Northern agriculture seems to have been the 1850s.  

One logical outcome of new work validating the widespread existence of
non-capitalist household production was a new synthesis of early- to mid-

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16 Hofstadter, Age of Reform, chap. 1; Louis Hartz, The Liberal Tradition in America: An
Interpretation of American Political Thought since the Revolution (New York, 1955).
18 Michael Merrill, “Cash is Good to Eat: Self-Sufficiency and Exchange in the Rural
Economy of the United States,” Radical History Review 4 (1977): 42-71; James A. Henretta,
“Families and Farms: Mentalité in Pre-Industrial America,” William and Mary Quarterly 35 (Jan.
19 Jeremy Atack and Fred Bateman, To Their Own Soil: Agriculture in the Antebellum North
( Ames, IA, 1987), quote at 203; Clarence H. Danhoff, Change in Agriculture: The Northern United
nineteenth-century American history that came to be known as the “market revolution.” But, the idea of market revolution, while a step forward in many ways, has serious flaws for purposes of periodization. In Christopher Clark’s words, it tended to turn the market into a “reified explanatory force” thus discounting human agency. Moreover, like the consensus historians who saw capitalism everywhere, it conflates the market with capitalism thus reducing capitalism to “economic” data and ignoring its social relations, including class and gender.

The historians of the American transition to capitalism on the land were at first divided between market and social historians, the former tracing the growth of market transactions and profit-maximization practices among farmers, with the latter tracing a social transformation to capitalism fraught with social and political conflict both within the household and between this mode of production and a capitalist one. But more recently, a limited consensus appears to have emerged. Alan Kulikoff asserts, “It is evident that the American economy survived for several centuries in a transitional state—clearly not feudal and not yet fully capitalist, but located in an increasingly capitalist world.” He calls this state, “yeoman society.” Yeomen participated in commodity markets with regularity, but only to sustain a moral economy; they sought private ownership of land, but only to sustain kinship relations (including patriarchal power). These men, rather than the market, decided what crops to produce, where and how to market them, and how to divide labor tasks among family members. The market historians, Jeremy Atack and Fred Bateman, seem to concur in this characterization with their reference to a “national split personality” among farmers before the Civil War. “While not profit maximizers perhaps, these people were successfully straddling the fence between agriculture as a way of life and as a business enterprise.”

The yeoman society posited by agrarian historians sounds much like the mode of production originally sketched out by Marx and Friedrich Engels.


In *Capital*, Marx distinguished between “simple commodity production” and capitalism. The self-employed proprietor, either on the land or in the artisanal workshop, produced in order to procure via exchange that which he could not make himself more cheaply. The society of small producers was one in which value equivalents were exchanged without wealth being accumulated. By contrast, capitalists invested money in the means of production to gain not an equivalent but a greater return than was originally laid out—surplus value or (roughly) profit. That return, according to Marx, depended on a social matrix of productive relations grounded in wage labor. The formula for the circulation of money and commodities in simple commodity production was C-M-C with C referring to commodity and M referring to money. For capitalism it was M-C-M\textsuperscript{1}, with M\textsuperscript{1} referring to the return to capital available for reinvestment. Far from viewing simple commodity production as a golden age, Marx stressed its limitations in excluding technical and scientific development; capitalism was definitely progressive in relation to simple commodity production.\textsuperscript{23} Prominent social theorists of more recent vintage have also pointed to post-feudal but not yet capitalist, socio-economic forms.\textsuperscript{24}

Engels historicized Marx’s scheme into a theory in which simple commodity production became a distinct and transhistorical mode of production present in various periods from ancient times up through the fifteenth century. At first, primitive communities exchanged surplus products with each other; later, the patriarchal heads of families performed the exchange. In simple commodity production the primary means of production was human labor; therefore the heads of families gravitated toward the ethical belief that labor created all value. Holding to that belief would keep the exchange among households on an equal basis and avoid the rise of an exploiter class. Only with capitalism did the exploitation of labor and capital accumulation arrive on the scene.\textsuperscript{25}


If, as Engels and some more recent historians have argued, simple commodity production carried out by patriarchal householders was a distinct mode of production, then republicanism, also dating to ancient times, stands as its logical correlate. In a recent, richly documented book that has not been fully appreciated by scholars, James L. Huston reinterprets American republicanism from the point of view of its political economy, which he calls a “commercial agrarian economy.” Huston’s take on republicanism departs from the dynamic of virtue versus commerce (and inevitable corruption) dating from the influential work of J. G. A. Pocock. According to Huston republicanism could adapt to the market just fine as long as cheap land in the west existed to enable the sons of yeomen farmers to reproduce the propertied status of their fathers.

The core belief of republicanism was that a viable republic required a balanced distribution of wealth to avoid the rise of a new aristocracy. Huston lists four axioms of a republican distribution of wealth that he finds characterized the discourse of America’s elite opinion leaders and set the parameters for public policy. The most important of these was the labor theory of value and property, which taught that labor deserved the full fruits of its production and which became the standard of justice for a republican society. Only actions by a power- or wealth-seeking minority harnessing the state to their interested ambitions could corrupt the republic. Harmful actions by government—amounting to the establishment of what Huston calls “the political economy of aristocracy”—included the granting of special privileges, especially monopolies of industry and land, manipulation of the currency to warp the exchange process to the detriment of productive labor, the fastening of onerous taxation on the masses whether to fund a large national debt or a parasitic bureaucracy, and the building of a military despotism to enforce the will of a minority.

Critique of Political Economy,” chap. 25. For a discussion of “petty commodity production” in American agriculture, which concludes after considering alternatives that it was a distinct mode of production, which also aided the transition to capitalism, see Charles Post, “The American Road to Capitalism,” New Left Review 133 (1982): 30-51.


Huston, Securing the Fruits of Labor, chap. 2.
Huston's portrayal of the policies that Americans feared might facilitate an aristocratic revival helps pinpoint the Achilles heel of a society based on simple commodity production. Virtually every policy inimical to a republican distribution of wealth touched on the issue of "capital accumulation"—by which I mean not simply the gathering of the physical means of production in the hands of capitalists, but the growth within society of the social relation of wage-labor at the expense of other social relations. Historians are familiar with the Hamiltonian attempt during the early national period to use a tariff to fund the revolutionary war debt and simultaneously create a class of state-based manufacturing capitalists. During the second third of the nineteenth century the new threat to the equal exchange necessary to maintaining a small producer society came from currency manipulation. It was not by accident that the economic theorists of simple commodity production defined money's only legitimate purpose to be the medium and measure of exchange rather than a storehouse of value. As money became more abstract—metallic, then paper and finally negotiable securities and credit—the possibility that prices would deviate from the labor expended in production grew greater and so did the possibility of unequal exchange or "theft." From the point of view of producers, those bankers and merchants known as "middlemen" became potential parasites on productive labor. Of course, what producers called parasitic was to a fully developed capitalist and modern society simply the economy's surplus, the *sine qua non* and engine of progress and development albeit one produced in service to private profit. In short, from the vantage point of the dominant economic thought in this period, the key to the transition to capitalism from simple commodity production was not a market revolution or commercialization nor was it simply the rise of big business or monopoly. Rather it was the creation of a political economy of capital accumulation.

Huston views the hegemony of a republican political economy in American social and political discourse and public policy as lasting from 1790 through 1880, the latter date coming within a few years to that which most scholars view as the start of the Gilded Age. Despite the growth in wage dependency the opportunity for social mobility into propertied self-employment remained strong during this entire period. Thus, the ratio between the number of business firms and farms to the total number of Americans employed actually rose between 1850 and 1880, though many of these firms and farms were short-lived ventures. Within American manu-

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facturing the average firm size remained small—under ten—due to the proliferation of small firms that contributed little to output. The growth of small business tended to mask a significant increase in the share of total output within each industry contributed by a much smaller number of larger, more efficient factories, which utilized inanimate sources of power to run machinery. Even so, the gains in productivity before 1880 from the replacement of artisan shops, manufactories, and sweatshops by factories, according to a recent synthesis, were "much smaller than would have been anticipated from the narrative literature."31 One major study of the long swings of capitalist development finds that in the initial phase of development beginning in the 1820s and lasting to the end of century, somewhere between 60 and 90 percent of all output growth in industry derived from the growth in the employment of wage labor rather than technological change or reorganization of production. Such a conclusion is consistent with the studies suggesting slow and small rather than large and dramatic increases in productivity growth before 1880.32

Notwithstanding the continued vitality of a small producer economy into the Gilded Age, there are good reasons to believe that capitalism had begun to challenge and at last overtake once-dominant modes of production in the Northern economy between 1848 and 1873. In 1850, the number of wage laborers for the first time exceeded the number of slaves; and by 1860 the number of wage laborers exceeded the number of self-employed. Still, for most being part of the working class was not a permanent condition. Throughout this period of transition, a majority of wage earners still toiled in agriculture (a sector with high social mobility); only during the Gilded Age did a majority of wage earners toil in industry. In the 1840s, over 40 percent of the industrial labor force in the Northeast was composed of women and children, and these temporary employees made up an even higher percent-


age of those working in large-scale, mechanized factories. Among mid-century male skilled workers a large, indeterminate percentage, particularly in the advanced sectors of industry, subcontracted within enterprises and received pay for their output rather than their labor time. In addition to these characteristics, it is important to remember the continuing mobility of wage earners into the still-swelling class of small producers. Not surprisingly, 1850s free labor ideology viewed wage labor as a temporary status. According to Eric Foner, only in the 1870s was “the dominant understanding of free labor [fixed] as freedom of contract in the labor market, rather than the ownership of productive property.”

The rise to dominance of capitalism was also evident in the new importance given to capital accumulation. Karl Marx showed that the mature form of capital accumulation (the expanded reproduction of capital)—according to him the defining ingredient of capitalism—required that the producer goods sector of the economy grow faster than the consumer goods sector. From this vantage point, it can be argued that capitalist enterprise could exist in pockets during the antebellum period, but that a capitalist economy and society was not yet pervasive. The watershed in the shift to an economy that granted priority to the producer goods sector occurred during and immediately after the Civil War. James Livingston has recently argued cogently for the relevance of this fact to interpreting American nineteenth-century history. Those who view the Civil War as an economic setback have always had to contend with Robert Gallman’s yet-to-be-challenged figures, which show an unprecedented leap in the share of capital formation in the gross national product. In the 1849-59 decade that share was 13.4 percent, while in the 1869-78 decade the share had jumped to 21.3 percent. From that decade to the early twentieth century, the share of capital formation in Gross National Product (GNP) maintained itself or grew.


The acceleration in the upward shift of the level of capital accumulation is not hard to explain in historical terms. During the 1850s, enterprising Yankee farmers on the Illinois prairie began to go into debt—something yeomen farmers only did under duress—to mechanize their farms with Cyrus McCormick’s reapers and plows. That plus the phenomenal growth beginning the same decade of the railroads and railroad supply industry created demand for the vigorous growth of an American producers’ goods sector centered around the iron and steel industry, foundries, and machine shops producing for expanding factories and railroads.35

By the end of the decade, a new coalition committed to expansion of the domestic economy at the expense of Atlantic trading system—the linchpin of the antebellum ruling alliance of Northern merchants and Southern cotton slaveholders—took power with the victory of the Republican Party. It passed into law a program conducive to rapid capital accumulation: land grants to railroads, federal aid to education, protective tariffs, and a national banking system. Just as significantly, the use of greenbacks as a revolutionary measure to finance the war inflated the currency, thus largely wiping out the prewar debt in working capital of Northern manufacturers to wholesale merchants. That in turn made it easier for rising manufacturers to accumulate capital in fixed forms. Indeed, it appears that the income shares of all economic groups functional to the economy, including labor, were adversely affected by the inflation, with the exception of industrial capital. When Secretary of Treasury Hugh McCullough tried to retire the greenbacks in 1866, the strength of the new coalition in Congress made itself felt by halting it. Robert Sharkey has shown that by 1869, New York bankers and traders had begun the process of adjustment to the new economy when they supported the Public Credit Act, which delayed resumption of gold payments until 1879.36

Also crucial to capital formation in this period was retirement of the war debt, the interest on which, according to economic historian Jeffrey G. Williamson, had reached 15.5 percent of Northern GNP in 1865. After 1866 the federal government speedily retired this debt, opening the way for a rapid expansion of private debt formation, in effect transferring wealth from the non-productive debt held by the Northeastern mercantile and

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banking elite to debt used for industrial expansion. The shift was facilitated by the federal government’s new protective tariff, the high gold premium, which like a depreciation of the currency raised the price of imports, and an unprecedented and unique decline in the prices of producers’ durables in relation to the national price index. Williamson estimates that debt retirement accounted for about half the increase reported earlier in the share of gross national capital formation in GNP.37

The new commitment to the gold standard attendant on passage of the Public Credit and Specie Resumption acts also facilitated capital accumulation. The integration of the nation’s economy into global capital markets during the first great era of globalization, which lasted from approximately 1850 to World War I, bolstered investor confidence both inside and outside the United States. Though it is true that the bulk of capital necessary for development during the Gilded Age was accumulated from domestic savings, adherence to the gold standard assured these domestic investors that there would be no political interference in the investment process. Such interference, intended mainly to support the claims of small producers, would become the central issue of the crisis of the 1890s.38

The implications in social terms of the advent of capitalism during this period are the subject of a recent work by Sven Beckert. Beckert portrays a conflict within the New York City elite between manufacturers on the one hand and merchants and bankers on the other and its resolution by the early 1870s. Though he does not make a class-analytical distinction between merchants engaged in the transatlantic trade and a diversified capitalist class rooted broadly in a domestic economy undergoing rapid capital accumulation—Beckert calls both “the bourgeoisie”—his work is helpful in defining the class shifts that occurred at the birth of the Gilded Age. During the Civil War, the dominant group of New York merchants supported a negotiated peace with the South, fearful of upsetting their economic interests. During Reconstruction, they backed Andrew Johnson’s policy of rapid restoration into the Union of the Southern states and feted him in August 1866. By the early 1870s, however, merchants had reoriented their economic activities toward railroads and manufacturing. Some of the wealthier ones metamorphosed into investment bankers, helping to market the securities of railroad corporations on the newly formed New York Stock Exchange. Others diversified their trading networks. At the same time, Peter Cooper and other rad-

37Williamson, “Watersheds and Turning Points.”
ical manufacturers began to leave behind their antebellum commitments to "the universalist antebellum tradition of stewardship and free labor" and adopted a view of the working class and unemployed as "dangerous classes." By the early 1870s a relatively cohesive capitalist class had taken shape, fused together in cultural institutions such as museums, the social register, elite clubs, and marriage networks and united in fear of the working class and an out-of-control urban political system.39

Something similar was going on in the Western metropolis of Chicago. In the 1850s and 60s the city's politics were dominated by a class of "boosters" and free labor Republicans who spoke for small producers and would-be small producers. Their politics were a blend of issues appealing to this broad stratum: nationally, an opposition to slave expansionism and support for free land in the West, free banking, and federally funded capital improvements. Locally, the boosters and Republicans supported the broad acquisition of property through rapid growth and real estate speculation and a municipal government that was prevented from upward redistribution of property by having taxation limited to special assessments initiated by property owners themselves.40

By the 1870s this coalition was in shambles. The making of Chicago into the nation's railroad hub, the explosive population growth of the city and its Midwest hinterland, and the trade disruptions occasioned by the war, which led many Eastern manufacturers to relocate to Chicago, spawned a capitalist class, which invested its assets productively, rather than only in mercantile activities, and which directly employed large numbers of workers.

Chicago's transition to a capitalist politics centered around two major developments that occurred during the 1870s depression.41 The first was a capital accumulation crisis occasioned by rebuilding of the city after the great fires of 1871 and 1874. Eastern insurance companies refused to insure Chicago investments unless strict building codes were enacted and enforced.

39Sven Beckert, The Monied Metropolis: New York City and the Consolidation of the American Bourgeoisie (Cambridge, MA, 2001), chaps. 5 and 8, quote at 211; the making of an upper class on the urban level in this period is also explored in E. Digby Baltzell, Philadelphia Gentlemen: The Making of a National Upper Class (Glencoe, IL, 1958), and Frederick Cople Jaher, The Urban Establishment: Upper Strata in Boston, New York, Charleston, Chicago, and Los Angeles (Urbana, 1981). For a non-class, pluralistic interpretation of the urban scene in this period see David C. Hammack, Power and Society, Greater New York at the Turn of the Century (New York, 1982).


41This periodization of the political recognition of class divisions differs from that of David Montgomery's dating of that recognition to the Reconstruction Era in Beyond Equality: Labor and the Radical Republicans, 1862-72 (New York, 1967).
and that, in turn, required that the local party-state be supplemented by an administrative state responsive to the needs of industry. When that proved too difficult to attain, leading capitalists, merchants, and bankers formed a Citizens Association in 1874 to act as a permanent lobby and watchdog for local government.

The second set of episodes occurred when the workers employed in the city's new factories and transportation facilities began to assert their interests and power, first in the form of riots and then in demonstrations and politics under the leadership of socialists. In 1873-74 immigrant workers marched on the Relief and Aid Society, an institution reorganized by leading capitalists in 1867 to disburse relief aid in such a way as not to disturb pecuniary incentives in the labor market. Another episode on a larger scale occurred during and following the great railroad strikes of 1877. For the first time, free labor advocates did not join workers, leaving the field open to a naked class conflict in the city's streets and compelling the city's political system to adapt itself to the new working class presence. By the early 1880s, Democratic Mayor Carter Harrison, Sr., had incorporated restive immigrant workers, political socialists, and trade unions into his ruling political coalition. Later in the same decade, a similar accommodation occurred in New York City between the machine and the unions.42

**Society and Labor in the Gilded Age**

Historians have given various dates for the start of the Gilded Age, the most common one being 1877, the generally accepted end of Reconstruction and not coincidentally the same year as the nationwide railroad strike replaced the slave-labor with the wage-labor or social question.43 However, as suggested above, there are strong reasons for taking 1873 as the critical year. That year marked the start of a five-year depression, the first of a series of periodic contractions that culminated in the 1893-97 business downturn. Some economic historians view it as the start of the last and crisis phase of the “long swing” that characterized the nineteenth century. The


acceleration in capital accumulation after the Civil War with its priority on capital goods over consumer goods production had the effect of shifting the ratio of fixed to variable capital so that a higher proportion went into fixed forms. In different words, a higher percentage of capital went into plant and equipment than into wages and raw materials. According to Williamson’s economic history of the period, the capital-labor ratio rose continuously until the 1890s depression.44

One of the first contemporaries to recognize this was Chicago banker Lyman Gage, later to become William McKinley’s Secretary of the Treasury. According to Gage, testifying before a House committee in 1879 as to the cause of the depression, it had been due to, “the immense transfer of capital into fixed forms, such as ships, railroads, mines, manufactories, &c” and was manifested in “a large surplus of loanable funds in the banks.” In 1884, the economist Arthur Hadley directly challenged classical political economy’s dictum that general overproduction was impossible. He traced the 1873 panic and subsequent depression to the much greater investment of capital in fixed forms, mainly in railroad building. “[T]he continued existence of such masses of undisposable [sic] surplus may be regarded as the leading difference between the long crisis of 1873 and the shorter one of 1857.” In 1889 David Wells devoted the introduction and the bulk of his popular survey, Recent Economic Changes, to the topic of overproduction, which he defined as “an amount of production of commodities in excess of demand at remunerative prices.” Wells attributed the chief cause of overproduction to excess capital and the use of labor-saving machinery in production.45

As economic observers noted, the new circumstances of production created high fixed costs for many capitalist firms and led them to resort to cutthroat competition to cover those costs. The result was a series of periodic crises of generalized “overproduction,” something that classical political economy said was impossible. If the downturns of 1873-98 are added together there were more months of contraction than of expansion, leading some to portray the 1873-97 period as a “great depression.” Still, it would be difficult to accept this characterization of the Gilded Age if only because GNP continued to grow at only a slightly diminished annual average rate throughout this era, while real wages actually rose. Nonetheless, falling profit rates and falling prices, together with rising bankruptcies, and economic

instability characterized the Gilded Age; and these trends and their social and political consequences go a long way to defining it.46

The impact of the 1870s depression was immediately felt in voting behavior. As a result of the electoral realignment of the 1850s and the departure of the Southern states in the 1860s, the Republican Party had become dominant nationally. But, as Paul Kleppner and others have shown, the 1873-74 crisis “reinstated” Democratic strength, creating an electoral stalemate on the national level. In part, the Democratic surge resulted from the return of the Southern states—with the exception of Louisiana, Florida, and South Carolina—into the Congress on a white supremacy basis, a better measure of the end of Reconstruction than the final withdrawal of troops in 1877. But, in the North it stemmed from the depression, which in industrial areas led immigrant unskilled laborers to defect from the Republican Party or simply be mobilized in higher numbers by the Democratic Party. In some situations, as in Chicago, a temperance movement preceded the depression as another reason for the defection of immigrant voters. But even in that case, the class issue was prominent, for temperance developed out of the attempt by the Evangelical elements to bring public law and order to a city filled with transient workers.

The resurgence of the Democrats created a party equilibrium or balance within the nation. The average margin of differential between the two parties in presidential contests between 1876 and 1892 (when another realignment began) was just 1.4 percent. Meanwhile, the Congress remained internally divided between the two parties. Republicans controlled the Senate for all but four years between 1874 and 1894, while the Democrats did the same with the House. Neither party could boast control of both houses of Congress and the Presidency more than once. The closely matched party balance opened the way for another defining characteristic of the Gilded Age: the ability of third parties, whether labor, greenback, or prohibition, to exercise disproportionate influence in Northern elections and public policy.47


The issues over which the two major parties divided during the post-Reconstruction settlement reflected the emergence of a new mix with capitalism as the dominant element. The issues of sectionalism and the status of the freedman, which had divided Southern planters from Northern capitalists, faded from saliency. Instead, as Richard Bensel has argued, the major issues of contention were regional and intersectoral and centered on federal policies promoting capital accumulation. Of the two major parties, the Republican Party, still dominant at the federal executive level, was the quintessential party of national development, while the Democrats served as a haven for those regional and class groups disadvantaged by capital accumulation. Three major Republican Party policies—the protective tariff, adherence to the international gold standard, and creation and maintenance of a national market untrammeled by stringent state regulations—served as the fulcrum for private accumulation and major party competition. Though monetary and banking policy and judicial review (which limited the degree of state regulation of emerging national corporations) were less than popular under the best of circumstances, the political capital accruing to the Republicans from their sponsorship of the tariff and the military pensions it funded allowed the party to hold together its diverse coalition and maintain its control of key policymaking positions at the federal level. Even the ascendency of Democrat Grover Cleveland to the presidency did not break the hegemony of pro-development policy, for he parted from his party base in taking the necessary steps to support the gold standard at the start of the 1893-97 depression.

Both parties used these issues to appeal to different segments of the working class. Republicans defended the protective tariff as the foundation of a high standard of living. The Democrats contended that the tariff and, to a lesser extent, the demonetization of silver and the lack of state regulation, created monopolies as well as abetting the shift of wealth from the agricultural South to the industrial East. On the urban and state levels, especially where machines were more centralized and possessed patronage and other resources to distribute, both parties were adept at incorporating workers. They supported moderate labor reform, such as immigration restriction nationally and bureaus of labor statistics on the state level, and carefully calibrated the performance of the police during strikes to the existing balance of class forces on the urban level. By responding as did Chicago’s Carter Harrison to the more salient needs of the working classes they helped “immunize” them from socialist and radical third party forays following labor upheavals. On the other hand, to keep the capitalist classes from

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engaging in citizens reform campaigns, party politicians retrenched on spending and allowed reformers to create public agencies within government that were relatively insulated from the consequences of elections. In the West, however, where party patronage and organization were far weaker, large movements of agrarian and labor reform grew up in this period and proved immune to party cooptation.\textsuperscript{49}

If we begin the Gilded Age with the panic and depression of 1873, some of the central characteristics of the labor movement also come into clearer focus. During the Civil War and Reconstruction, the rising rate of capital accumulation and steeply falling income share accruing to labor, contrasting with the still-vibrant small producer mode of production impelled labor leaders toward the theories of Edward Kellogg. By 1866, the National Labor Union under the leadership of iron molder union chief William Sylvis and Chicago Workingman’s Advocate editor Andrew Cameron endorsed the interconvertible bond arrangement advocated by a Kellogg protégé, Alexander Campbell. The proposal would replace the national banking system and replace money issued by the banks with government-issued greenbacks, thereby cheapening credit and keeping wealth from being redistributed away from the holders of labor-based property into the hands of the unproductive banking and mercantile interests. But, by the end of the decade, labor’s wage position had been restored and the NLU was moribund.\textsuperscript{50}

The post-Greenback phase of the labor movement, with its powerful socialist component and its repeated attempts at class-wide mobilization and organization can be dated to the period after 1873. The depression again devastated the wages and income of unskilled workers. It also destroyed most of the English-speaking national and local unions, leaving the labor movement in many cities in German, pro-socialist hands. Even more crucially, the intense pressures created by cutthroat competition and producing below cost inaugurated a new period in which employers attempted to use mechanization to replace or dilute the skill of craftsmen, who still were the linchpins of the production process. Though the attempt to displace skilled labor had only fitful success until the twentieth century, it led many elements of the fledgling labor movement to ally with newly mobilized unskilled workers evident in the unemployed uprisings of 1873-74, which prefigured the great railroad strike of 1877. It also predisposed skilled workers to con-


\textsuperscript{50}Sharkey, Money, Class, and Party, chap. 5; Montgomery, Beyond Equality, 340-56.
sider more inclusive or class-aware mobilizing strategies, forms of organization, and programs. Thus, following the 1877 strikes, the Socialist Labor Party, which sponsored the International Labor Union and local German-speaking unions, and the English-speaking Knights of Labor both gained footholds in urban-industrial centers.51

By the early 1880s, with the revival of employment and trade union activity, top labor leaders began to jettison older producerist solutions and adopt a much more modern outlook. To trade unionists, labor reformers, indeed most working people, the question of the day was poverty or why wages did not rise in proportion to the new productive power of the economy and the creation of new wealth. The three doctrines popular among mid- to late-nineteenth century unionists—Greenbackism or Campbell’s interconvertible bond system, Henry George’s Single Tax, and the Republican Party’s protective tariff—each looked to factors outside the wage-labor relation for an answer to the poverty question. Each solution was premised on an identity of interests between capital and labor and sought to sublimate a very real class conflict within the producer stratum into a conflict between producers and non-producers, identified as either middlemen, land monopolists, or transatlantic traders. Each solution also assumed the wages-fund theory of classical political economy according to which the wages paid to workers were strictly limited by a fixed fund provided by capital, hence the widespread belief that trade unions could not raise the wages of all workers but only selected groups of skilled workers capable of excluding others from their craft labor markets. Finally, each looked to an intervention from outside the market, that is, from government, to ameliorate poverty.52

In 1883, labor leaders meeting at the second convention of the Federation of Trades and Labor Organizations (the immediate forerunner to the American Federation of Labor) rejected each of these solutions and their premises and settled on a doctrine suited to the modern labor movement.

51On investment in labor-saving machinery and later scientific management colliding with the interests of skilled workers see David Montgomery, *Workers Control in America* (New York, 1979); Gordon, Edwards, and Reich, *Segmented Work, Divided Workers*, 113-26 and Livingston, “Social Analysis of Economic History”; on the events of the 1870s see Herbert G. Gutman, “The Failure of the Movement by the Unemployed for Public Works in 1873,” *Political Science Quarterly* 80 (June 1965): 254-76; Schneirov, *Labor and Urban Politics*, 53-56, chap. 3; John B. Jentz, “Class and Politics in an Emerging Industrial City: Chicago in the 1860s and 1870s,” *Journal of Urban History* 17 (May 1991): 227-63. In his survey of labor history scholarship Sean Wilentz concludes that only during the 1870s depression were “the first clear signs of national working class presence” evident, see “The Rise of the American Working Class, 1776-1877,” 84-85, 128-34.

Drawing on the theory propounded by the Boston machinist, Ira Steward, the theorist of the eight-hour day, unionists argued that it was possible to increase wages for all by increasing the standard of living. The quickest way to promote higher living standards was by shortening the hours of labor through trade union action (in this respect they differed from Steward who wanted to win eight hours through legislative enactment), which would stimulate new wants and desires among workers. Over time, increased ambitions would lead workers to demand and win higher wages. Rather than increasing prices, stopping capital accumulation, or impoverishing other workers, as predicted by the wages-fund theory, higher wages would, in Steward's view, boost purchasing power, which would allow manufacturers to take advantage of economies of scale by investing in the latest labor-saving machinery.53

Not only did the new theory accept capital accumulation as potentially beneficial to workers, but it explicitly recognized the function of rising workers' consumption in ameliorating the Gilded Age problem of overproduction. Samuel Gompers' mentor, Cigarmaker's secretary Adolph Strasser, was a student of world-wide business cycles caused by overproduction. He periodized labor history into four stages, each one punctuated by a financial panic. Indeed, in 1883 he accurately predicted that the next downturn would occur in the mid-1880s. Drawing heavily on Steward, Strasser testified before the 1883 Senate Committee that "the trade unions try to make their members better consumers, thereby enlarging the home market. If we can make the working people better consumers, we shall have no panics."54 The concern with depression supplemented and overshadowed producer republicanism's concern with the balanced distribution of wealth. For Steward, Gompers, and other labor thinkers capital accumulation, rather than something to be feared, was a necessary (though not sufficient) ingredient in labor's emancipation, for it promoted the introduction of labor-saving machinery, cheapened production, created the foundation for an ever-rising standard of living, and in the long run served as the foundation for the socialist project.55 Nonetheless, the triumph of the new outlook did not dis-

53Ira Steward, “A Reduction of Hours An Increase of Wages,” Pinchers Trade Review, Oct. 14, 1865; U.S. Senate, Testimony Taken by the Committee of the Senate upon the Relations Between Labor and Capital, 4 vols. (Washington, 1885).

54U.S. Senate, Committee upon the Relations Between Labor and Capital, Vol. I, 459-60; see also Strasser editorial in Cigarmakers' Official Journal, July 1885.

55Referring to "the accumulation of wealth" Samuel Gompers wrote: "Do what you will, declare as you may, industrial and commercial development cannot be confined within the limits of laws enacted to fit past decades the theories of which are sought to be applied to modern conditions." See "The Lesson of the Recent Strikes," The North American Review 159 (August 1894): 205; also see Samuel Gompers, "Attacking the Trusts," American Federationist, (December 1896) and Henry White's and Gompers's testimony in Chicago Conference on Trusts, (Chicago, 1900), 324-30; Gompers' socialist orientation during the Gilded Age is demonstrat-
place labor republicanism. The two outlooks continued in parallel and in tension with one another throughout the Gilded Age.

Labor's new union-based philosophy was in the words of John R. Commons, "the first class conscious" theory of the American labor movement. It was class conscious in that it accepted as normal a new status for wage workers in which they could alienate their labor time without violating selfhood; it stressed self-organization rather than reliance on politicians or government action that might reflect the social outlook of the non-working-class American majority; and it envisioned the reduction of hours and union organization as serving the needs of all workers not just skilled workers.

Some labor historians have emphasized the exclusionary aspects of the unions of skilled workers. That judgment relies heavily on an overvaluation of the Knights of Labor during its short heyday as a more inclusive alternative. However, in the perspective of the longer sweep of the Gilded Age the trend was toward labor organizations of all types incorporating ever-larger numbers and types of workers in their ranks. Almost all unions before the Civil War were composed of a small craft elite seeking to protect their trade standards against threats from the less skilled, and this remained the dominant tendency in some organizations such as the railroad brotherhoods and the bricklayers. However, during the Gilded Age this tendency was counteracted and greatly modified as skilled workers' resorted to inclusive strategies in response to the increased hiring of specialists and piece-workers and the possibilities evident in unskilled workers' new assertiveness in riots and strikes. The Knights of Labor and, after their decline, skilled workers' unions such as the Carpenters, Iron and Steel Workers, Furniture and Wood Workers, Mine Workers, Garment Workers, Butchers, and others recognized the need to organize laborers, helpers, and other unskilled workers, particularly where they worked side-by-side in factories and other workplaces, and to unite with other skilled workers in craft councils. The 1880s popularity of the demand for the eight-hour day and the standard minimum wage and the new tactics of the consumer boycott and sympathy strike inaugurated during that decade reflected this shift to a more class-wide

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56The association of this shift in workers' consciousness—evident in the shorter hours movement in this period—with the advent of capitalism is made in Amy Dru Stanley, From Bondage to Contract: Wage Labor, Marriage, and the Market in the Age of Slave Emancipation (Cambridge, MA, 1998), 89-90; for the same point in an earlier period see David Brody, "Time and Work During Early American Industrialism," in In Labor's Cause: Main Themes on the History of the American Worker (New York, 1993), 3-42.

57John R. Commons, "Introduction to Volumes IX and X," 26.

58For example, see Selig Perlman, A Theory of the Labor Movement (New York, 1929) and more recently, Eric Arnese, "American Workers and the Labor Movement in the Late Nineteenth Century," in The Gilded Age, 39-61.
Labor’s new outlook took hold during the “Great Upheaval” in the mid-1880s. Of the seven greatest years of strike waves in American history, two occurred in 1886 and 1887 during the height of the Great Upheaval. Other statistics suggest that the Great Upheaval was a turning point in workers demanding union recognition. Between 1881-85 and 1886-89 the percentage of strikes that involved union recognition and security almost doubled to 14.3 percent and maintained that level through the end of the decade.\(^{60}\)

Labor’s Great Upheaval centered in the Midwest. High levels of capital investment, labor shortages, and strong unions had kept laborer’s real wages high in relation to those of the Northeast until around 1880, when falling interregional transport costs deflated the labor market. After that point, Midwest employers, including especially those on the railroads, faced great cost pressures and responded with attempts to replace highly paid skilled workers who also exercised control over the process of production. Where this was not immediately feasible, they turned to wage cuts. Both attempts—exacerbated by a rise in the cost of living due to rising Midwest foodstuff prices—helped to make that region a center of the nation’s class conflict in the mid-to-late 1880s. Shelton Stromquist shows that the railroad strikes of the late 1880s and early 1890s stemmed from overcapacity on the railroads and were centered in the Midwest and West. My own study shows that the key groups of strikers in the Great Upheaval, with the possible exception of those in the building trades, worked in industries facing cost pressures related to overproduction. Thus, Chicago became the center of the nation’s great labor upheaval in 1885-87. Approximately 30-40 percent of the nation’s 200,000 eight-hour-day strikers were in Chicago.\(^{61}\)

The labor upheaval of 1885-87 and another one during the 1894 Pullman Strike were indications that the political accommodation between workers


and capital did not include large groups of workers. Moreover, it was far from permanent; aroused business interests could easily reverse pro-labor policies by party machines. Collective bargaining was also in its infancy. Only where skill was exceedingly scarce or where workers could help employers stabilize the product market through the new union label boycott were unions able to gain a foothold in the Gilded Age.

As is well known the social crisis on the land, which produced the Farmers' Alliances and the Populist Party of the 1890s, also had its roots in overproduction. The bringing into cultivation of a vast new landed empire in the last third of the century—equal to all the acres under cultivation before the Civil War—together with the advent of production for international markets, which forced American farmers to compete with farmers in other regions of the world, simultaneously enlarged the class of small producers and created a problem of global overcapacity to produce, the analog of surplus capacity in the urban-industrial sector. Whatever the differences between farmers in the South and Great Plains regions, the results of overcapacity—falling prices and a credit squeeze—hit all farmers producing for the market. Those Midwestern and other farmers who had shifted to capitalist methods of accumulation to reduce costs and had easier access to credit were immune to the discontent that roiled large segments of the agrarian economy in the late 1880s and 1890s.62

Populism and its defeat was the yeoman farmer's "last stand" not socially or economically, but politically. Recent scholarship has demonstrated that Populism could be urban as well as rural and that it had a broad and diverse social basis, extending well beyond declining small farmers. In fact, what united Populism in all its political varieties was its classic anti-monopolist politics that drew its sustenance from a republican political economy and the hoary American dictum that social imbalances stemmed not from the evolution of the market or "capitalism," but from the abuse of political power—often termed class legislation or special privilege—by interested minorities. While Populist prescriptions broke from an older laissez-faire in demanding a federal sub-treasury system, state ownership of the railroads, and other activist federal measures, they were aimed at restoring an older proprietary-based economy deemed "natural." Following its epochal electoral defeat in the 1896 election, and with agricultural prices rising again, the large majority of farmers abandoned the attempt to replace the gold stan-

standard and adopted the same market-based cooperative methods—in the form of agricultural cooperatives—that proprietary businessmen and investment bankers had used at the turn of the century to combat overproduction.63

**Gilded Age Politics and the Transition to Corporate Capitalism**

The relationship between the new political economy of capital accumulation and the social movements of workers and farmers is not hard to grasp. Correlating national politics with socio-economic developments has been more problematic. Political historians have long noted the fact that most of the issues that divided the two major parties at the polls—temperance, tariff, civil service reform, and the money question—were similar to the issues that divided the parties in the second party system. Electoral politics largely ignored the issues stemming from the rise of capitalism, class conflict and the rise of big business, according to this interpretation. But, electoral behavior is only one aspect of politics; the other, the actual policymaking of the nineteenth century party-state, offers better prospects for understanding what was new about the Gilded Age. In this respect, the typology of Theodore Lowi, Richard McCormick, and others in distinguishing between distributive, redistributive, and regulative politics helps us understand the shift that was occurring.64

Distributive politics was practiced by party leaders during the long “party period” and involved the informal distribution to favored individuals and groups of special benefits, immunities, and access to resources. Distributive politics was particularly well suited to a republic of small producers fearful of unequal exchange or any external force that might use the state to facilitate the rise of a monied aristocracy. That fear and distrust militated against the kind of all-embracing government action which, like the stillborn Hamiltonian or American systems and the Civil War legislation passed by the Republican Party, might redistribute wealth toward the favored few. It also hindered the kind of open compromise between organized interests


that was taboo in a purportedly egalitarian society of small property holders. The fear of capital accumulation and special or class legislation, also kept state capacity limited and elevated the party and the courts to policymaking status. Thus, throughout the party period the national government limited itself to distributing cheap land, railroad and other corporate charters, tariff protection, and not least, patronage, to its constituents. Distributive politics consolidated support in the manner of a logrolling coalition; the benefited groups did not negotiate with one another, but rather were “dealt in” informally, one by one, to the party’s coalition by party leaders.

Capital, as distinguished from private property in simple commodity production, was less suited to distributive politics. To the paterfamilias or proprietor of the family farm property was simply the tangible result of his labor and represented the external manifestation of his personality. Capital, however, socialized labor by removing it from the family farm or artisan workshop and subjecting it directly to larger societal forces. Capital and its accumulation depended on the advance of science and technology and the basic literacy and technical knowledge acquired through public education; it relied on direct and indirect government subsidies, such as land grants and tariffs; because concentration and consolidation normally accompanied accumulation, capital required a much higher degree of bureaucratic organization and specialization of function; and not least, capital expanded and developed a new social relationship, that of class-based or wage labor, which came to pervade society and culture. In short, capital affected and was affected by a broader social interest. A wide variety of observers noted this new socializing tendency of capital and the market including William Graham Sumner and Henry George. Few were as clear-sighted as AFL President Samuel Gompers, who challenged the belief that capital was the fruit of private accumulation:

The Trade Unions, taking a more comprehensive and purer view, regard all capitals large and small, as the fruits of labor’s economies and discoveries, inventions and institutions, of many generations of laborers and capitalists, of theoreticians and practitioners, practically as indivisible as a living man.”

One result of capital’s socializing tendency was that regulative and redistributive policies made more sense than before. As mentioned earlier, in

Chicago, before the Civil War the municipal government levied taxes by special assessment depending on the petitions of the property holders who would receive the benefit of the resulting revenue. The first break from this practice occurred after the Civil War when it became clear that the refuse from the new slaughtering and meatpacking industry was fouling the city’s drinking water. In response, the city resorted to general revenues to cleanse the Chicago River so that waste did not flow into Lake Michigan from which the population obtained its drinking water. Thus, under the new conditions of concentrated capital clothed with the public interest, a redistribution of resources undertaken by government became necessary and legitimate. During the Gilded Age American cities invested heavily in new city services and infrastructural development. Of course, redistributive politics always risked the possibility that taxes on the wealthy could be used to fund improvements for the poor and propertyless. This prospect accounted for much of the resistance to “machine” politics and widespread support for fiscal retrenchment by upper class leaders during the Gilded Age.67

Throughout the Gilded Age party leaders and government officials resorted to a complex mix of distributive, regulative, and redistributive policies. But, the trend was clearly toward the latter two, in part because regulation and redistribution normally arose as a response to the lobbying of organized interests. On the national level it was evident in regional contestation over the tariff and adherence to the gold standard, both issues with profound redistributive implications. It was also evident in how local and state governments dealt with the strikes carried on by organized workers. In Chicago, party leaders first responded to the rise of working class political power with distributive politics. By withholding police protection, they allowed politically favored strikers to establish mass picket lines that could intimidate strikebreakers. In effect, they distributed immunity from the law to favored groups, much as they selectively enforced the temperance laws during the period. But, the disruptions of public life occasioned by the 1877 strikes and those of the early 1880s, together with the cost pressures felt by employers responding to overproduction and the rise of the political power of unions, undermined this approach to keeping the peace between classes. The great upheaval of 1886-87 and the Haymarket Affair were rooted in the breakdown of this distributive strategy. In 1890, with a disruption of the building of the World’s Columbian Exposition threatened by the Carpenters Union, leading bankers, judges, and newspaper editors called on the contractors to accept collective bargaining, in effect, accepting a regulative solution to

labor conflict. Following the Pullman Strike, a cross-class coalition of business and labor leaders and reformers—the immediate forerunner to the National Civic Federation—lobbied the state of Illinois successfully for an arbitration board to resolve labor disputes.\(^{68}\)

The new importance of politics clothed with social connotations goes a long way toward explaining the fast growing importance of women as urban reformers in the Gilded Age, which is often attributed simply to women's culture. Urban women, like wage workers and socialists, had no stake in the small producer mode of production. The Gilded Age also witnessed a sharp acceleration in the release of women from household labor. Women's fertility rate and the size of households dropped precipitously, making possible a large increase in the number of female wage workers outside the ranks of household service. New labor-saving household technology allowed middle- and upper-class urban women the time to contemplate careers and engage in social and political activity.\(^{69}\)

The socialization of the labor of large numbers of urban women, combined with the moral authority vested in them by the two-sphere system, enabled them to bypass older shibboleths and grasp more quickly the need for vigorous public action to regulate the social problems created by the emergence of industrial capitalism. Women were prominent in the movements for compulsory public education, regulation of sweatshop labor, public sanitation, and the arbitration of strikes. In addition, female reformers sanctioned social intervention in the family to challenge patriarchal relations stemming from the abuse of children and women in the families of immigrant workers. The rise of women as public reformers, often in coalition with male civic leaders and reformers, was evident especially in the late 1880s with the leftward shift in politics of the Woman's Christian Temperance Union, the new reform activism of women's clubs, the emergence within the labor movement of women activists, and the rise of the social settlement house movement.\(^{70}\)

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\(^{68}\)Schneirov, *Labor and Urban Politics*, 99-114; 141, 149-51; 168-73; 192-93; 285-88, 342; Ethington also finds a shift to regulatory and redistributive policies relating to labor, see *The Public City*, chap. 7; on the rise of organized interests’ influence on urban governance see Teaford, *Unheralded Triumph*, chap. 7; Michael Les Benedict sees *laissez-faire* constitutionalism as a response to the rise of regulatory and redistributive legislation, see “Laissez-Faire and Liberty: A Re-Evaluation of the Meaning and Origins of *Laissez-Faire* Constitutionalism,” *Law and History Review* 3 (Fall 1985): 293-331.


Scholars date the decline of a state composed of “courts and parties” and the rise of the regulative state to the Progressive Era. It was then, at President Theodore Roosevelt’s request, that Congress created the model for strong commission government by increasing the powers of the Interstate Commerce Commission, established in 1887. Only after the turn of the century were politicians able to muster enough public support for the sort of administrative mechanisms needed to enforce legislatively enacted regulations. It is nonetheless important to recognize for periodization purposes that it was in the Gilded Age that Americans experimented on all levels of government with major regulatory and redistributive solutions to the problems created by the rise of capitalism.71

From this perspective, recent scholars have made a strong case that modern liberalism, whose emergence past scholars traced to the decade of the 1890s, had its urban and intellectual origins in the 1880s. By that time, a critical mass of civic leaders, intellectuals, female and other public-interest reformers, and spokespeople of labor and capital accepted a number of new tenets, including especially: that “monopoly” or large enterprise was not the outcome of forces external to the market, but an outcome of the logic of the market; that the competitive market under conditions of increasing investment in fixed capital produced surplus capacity and recurring depressions; and that unrestricted competitive individualism created intractable and morally intolerable social problems, including sweatshop labor for women and children, low pay and excessively long hours for male workers, and an inequality in bargaining power in the workplace. The new observations contradicted dogmas central to English classical political economy, such as Say’s Law of Markets and freedom of contract. They were also incompatible with the belief that a society of small producers and a balanced distribution of wealth were “natural” in a society free of aristocracy or state dictate. To the contrary, the new forms of thought took inspiration and direction from academic socialism learned in Germany and the

agenda of the American Socialist Labor Party, from Christian cooperatorly, parts of the American republican tradition, and the actions of the labor movement, as well as from insightful social observers.72

The new liberalism involved several profound shifts in perspective. First, it shifted the root of ethics and value from the realm of production to the realm of consumption and anchored both in the social whole. This was evident in the replacement in economic theory of the labor theory of value by marginal utility theory and the new analysis of depression as being caused by overproduction or underconsumption. Second, it sanctioned cooperative, collectivist, or organizational regulation of the market—sometimes in place of and more often to supplement—individual action. This was evident in the increasing, though still contested, acceptance by public opinion of the regulation of prices by large-scale business firms, of wages by arbitration and collective bargaining, and of economic behavior by the state. Though the new liberalism was heavily influenced by socialism, its prime thinkers sought to chart a middle way between individualism and statism, between competition and cooperation, and between innovation and stability, a path that sought to combine the best of both polar opposites. In this vein, Henry Carter Adams, co-founder of the American Economic Association, argued in 1886 that it was possible to retain the competitive market while making use of state regulative action to remove ethical abuses. This would be accomplished by raising the ground floor or plane of competition by state action, while allowing individual enterprise free rein above that plane. Similar reasoning appeared in the writings of those who justified trade union action. They argued that improving the standard of living, raising wages, and shortening hours through collective bargaining was also good for private business and profit because it raised consumption, counteracted overproduction, and stimulated the introduction of labor-saving machinery and capital accumulation.73


Underlying this shift was an intellectual revolution recently charted by Jeffrey Sklansky. The upheaval, which generated new sciences of sociology and psychology to replace political economy as the ground of intellectual discourse, reconceived the market positively as the generator of a new social self, reflecting "culturally created desires, habits, and mores" rather than the arena for the ratification of values produced by individual proprietors through their labor. Still, it should be emphasized that no consensus existed on the new liberalism. During the Gilded Age elements of the new liberalism coexisted in complex ways with the old producer republicanism and defenses of the naturalness and beneficence of the self-regulating market.74

By the time of the 1893-97 depression and its corollary, the "Crisis of the 90s," the stage was set for a multi-class movement of labor leaders, progressive capitalists, investment bankers, reform intellectuals, and political leaders capable of managing the difficult transition out of the Gilded Age into corporate capitalism with administered market relations. The triumph of a "new liberal" political ideology and the corporate reconstruction of capitalism is beyond the scope of this essay. Suffice it to say, the transition to modern corporate capitalism was profoundly political. Like the Civil War/Reconstruction transition to the Gilded Age, it was made possible by a cross-class political movement, which had its origin in the late 1880s and took political power with the electoral victory of William McKinley over William Jennings Bryan.75

Once it was dominant within the economy and society, the corporation in its daily operation was itself political in the sense of knitting together diverse classes and old and emerging modes of production in a new mix. But unlike earlier mixes, integration occurred largely through the visible hand of administration rather than the invisible one of the market. It did so through its dispersal of stock to the old middle class and ever broader segments of the general population, its reconstituting and administering of shop floor labor practices that had been previously left to skilled workers and the labor market; its shaping of consumer demand through advertising; its use of profits for philanthropy, reform, and funding of electoral activity, and not least its ability to accommodate the rise of a regulatory and welfare state by passing on higher taxes and increased regulatory costs to the public through higher prices. This is not to say that the corporate stage of capital-

74Sklansky, The Soul's Economy, 3.
75On the social movement origins of corporate capitalism see Sklar, Corporate Reconstruction, "Introduction," and Livingston, Origins of the Federal Reserve System, Part II.
ist development was free of conflict, class or otherwise, only that it constituted a new and ever broadening ground for that conflict, which has not been superseded in the last one hundred years.76

Looking backward from the perspective of corporate capitalism, the central characteristics of the Gilded Age appear to be its tendency toward crisis in the capital accumulation process and social instability as manifested in recurrent financial panics, crises of overproduction, falling prices and profits, along with electoral stalemate, broadening and intensifying class conflict and general labor upheavals, agrarian discontent, the rise of Populism, and a “new liberalism.” On the other hand, from the standpoint of the antebellum mix of self-employed labor, slavery, household manufactures, and emergent capitalism, the Gilded Age highlights the full-scale triumph of capitalism within a new mix. The capitalist mode of production with its political economy of capital accumulation and social relations based on permanent wage labor, replaced various forms of unfree labor and household production and supplemented and partially eclipsed self-employed labor. Integral to that triumph came a shift in policymaking away from distributive politics and toward regulative and redistributive solutions to social problems—though without the requisite state capacity to enforce such policies. All this occurred on the basis of the political and economic transformation accomplished by the triumph of the Republican Party during the Civil War and Reconstruction.