

# *Imperialism and Revolution*

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Program #5

The Robber Barons and the Concentration of Capital

By Charles McKelvey

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In our desire to understand the reasons for the spectacular economic ascent of the United States from 1776 to 1968, we have so far identified profitable trading relations with slave regions, first in the Caribbean, which led to the accumulation of capital in the Northeastern regions of the United States; and then with the U.S. South, which made possible the development of industry in the Northeast during the first half of the nineteenth century. And we have identified the conquest of the West, which included aggressive military campaigns against the indigenous nations and peoples and against Mexico, establishing the de facto control of territory across the continent.

Today we look at a fourth historic factor: the concentration of capital and the development of monopoly capital during the second half of the nineteenth century, significantly expanding the productive capacity of the nation.

There is a most interesting book that describes the concentration of capital by telling the story of a small group of men who emerged to become a new U.S. ruling class. Originally published in 1934, *The Robber Barons, The Great American Capitalists, 1861-1901*, was written by Matthew Josephson, a U.S. journalist who died in 1978 at the age of 79. Josephson contributed regularly to *The New Republic*, *The New Yorker*, and *The Nation*, and he was known for his books on U.S. economic history. Considered a classic, *The Robber Barons* was republished in 2011.

Josephson writes that nearly all of the men of the new ruling class “tended to act without those established moral principles which fixed more or less the conduct of the common people of the community.” Their impact on the nation was profound. When they arrived upon the scene, the United States had an agricultural and merchant economy. “When they departed. . . , it was something else: a unified industrial society, the effective economic control of which was lodged in the hands of a hierarchy.” Under their leadership, U.S. economic life was transformed: “large-scale production replaced the scattered, decentralized mode of production; industrial enterprises became more concentrated, more ‘efficient’ technically.” This transformation was driven by “the motive of private gain on the part of the new captains of industry;” it was carried out “in the name of an uncontrolled appetite for private profit.”

The new captains of industry are well known to U.S. popular consciousness. They include Andrew Carnegie, whose empire was built on steel; John Rockefeller, an oil magnate who with ruthless methods forged new structures of concentrated capital; and J. P. Morgan, the banker who established integration of industry and banking. Most, with the notable exception of Morgan, the son of a banker, grew up in poverty. They were disciplined and controlled in their private lives; their strongest lust was the desire for money.

John D. Rockefeller was the master at monopoly. Initially, in the petroleum market, there were thousands of petty capitalists competing. Rockefeller began to take control of the market by arranging for secret rebates in transportation rates from the railroad companies, giving him an advantage over his competitors. At the same time, he launched a campaign, also secretly, to enlist the other oil refineries as allies of his Standard Oil Company, by sharing with them the rebate advantage that he enjoyed. At the same time, he aggressively campaigned to drive from the field those competitors that were considered superfluous. One technique was to use his influence over shippers to drive up the shipping costs of the competitor. He offered to buy the company at a fraction of its value, knowing that the competitor, disadvantaged by unequal shipping rates, had no option but to sell. At the same time, where Standard Oil could not carry out its expansion by peaceful means, it was ready to use violence, applying the weapon of dynamite.

John D. Rockefeller and others were indicted and tried for criminal conspiracy in 1879. But the accused were brilliantly evasive, and the proceedings were based on the premise that property is sacred, regardless of how the property had been acquired.

By 1881, Rockefeller had de facto control of the oil industry. The forty-odd companies allied with Rockefeller were bound together by an interchange of stock. In 1882, the Standard Oil Trust was born, which established a stronger structure of alliance. In forming a Trust, all the existing stockholders in the diverse enterprises of refining, piping, buying, or selling of oil conveyed their shares “in trust” to nine Trustees, for which the stockholder received “trust certificates.” The Trustees were thus empowered to serve as directors of all the companies. The defenders of the Trust system maintained that it creates a centralized administrative organization that reduces costs and prices. In fact, however, prices were not reduced, in spite of new technologies and the reduced cost of raw materials.

The innovative method of Rockefeller was followed in other industries. Secret cooperative agreements, imposed by threats of ruining the competitor’s business, became the dominant orientation of the capitalist class. In various fields, independent producers found that the manufacturers of necessary equipment had an agreement with an association to not sell to independent producers.

Popular opposition to the new captains of industry was constant. In the popular mind, the concentration of capital and the development of monopoly capitalism was a violation of the American spirit of individualism and free enterprise. The popular outcry from workers and farmers led to the establishment of the Interstate Commerce Commission in 1887. But the Supreme Court subsequently limited its power, preventing it, for example, from fixing transportation rates.

With the state refusing to play a necessary regulatory role, monopoly capital itself had to develop self-regulation, constraining the behavior of individual companies in accordance with the interests of the capitalist class as a whole. The necessary approach was forged by banker J. Pierpont Morgan, whose career had followed the road toward the integration of banking and industry, the integration of finance and production. Morgan was especially concerned with the problem of dysfunctional conflicts between the great trusts. He conceived the strategy of interlocking directorates, which facilitated common policies with respect to important issues, such as the uniformity of transportation rates. At the beginning of the twentieth century, Morgan conceived of the Super Trust, a combination of Trusts, forged through the participation of finance capital. The idea culminated in the establishment of the U.S. Steel Corporation. With the Morganization of the economy, industrial monopolies came under the command of bankers; and the captains of industry are replaced by investment bankers.

Before they departed from the scene, the robber barons had influenced all areas of society, not only economic institutions. The captains of industry had taken control of the government, educational institutions, the press, and the Church, shaping them according to their needs, so that all defended, each in their manner, the established order of monopoly capitalism.

Concentration led to the problem of overproduction, that is, the production of goods in excess of the capacity of the national market to buy. Finance and industrial capital and the U.S. government responded to the problem of overproduction by developing imperialist policies, which became yet another factor in the spectacular U.S. ascent, as we will see in our program next week.

This is Charles McKelvey, speaking from Cuba, where we appreciate the timeless contribution of Matthew Josephson to the struggle for a world more just, democratic, and sustainable.

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