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CHAPTER XII

THE PANIC OF 1893 - BEFORE AND AFTER

The opening of the last decade of the 19th Century - 1890 - found an increase in the wealth of the United States over that in 1880 of nearly twenty one billions of dollars. (1) Unfortunately this did not mean that the long depression of the '70's was over. "Recovery" had been loudly heralded at the beginning of our period, but as David Wells remarked in 1889 it had turned out to be an "interruption" not a "termination." (2) "Recovery" as we have seen brought the average prices of twenty eight railroad stocks up to one hundred sixteen in '82 and '83. The panic that came in '84 dropped them to seventy five in '84 and '85. (3) (One hundred being the average from 1879 to 1889) In 1890 they stood at ninety eight.

There had been unsettling changes in the wealth-producing categories. Agriculture had fallen back relatively. Instead of producing 25.8 percent of the national wealth as in 1880 it was down to 21.2 percent. Manufacturing, transportation, urban real estate, wealth abroad, had all increased by substantial percentages. (4) This rapid shifting was straining the

2) Wells, David A. Recent Economic Changes. Page 6
relation of the timbers in the economic structure.

When the statistician came to analyze the way money was being spent he soon found that the producer was distributing less by some 3.5 percent; the consumer more by 3.27 percent. There were many changes in the expenditures of producers. Agriculture had increased by but 3 of 1 percent; manufacturing by 4.1 percent; transportation expenditures had almost doubled. (1)

The producing parts of the economic structure were changing shape and size and these changes were making without regard to whether the results fitted or not. Each was considering only its own form and profit. Those who watched the process realized that a sudden shock might topple over the whole structure - bring on another panic and depression. The first shock came in 1890 with the failure of an English Banking House which handled many American securities - Baring Brothers of London. It thrust curtailments and reorganizations on business firms the world over so widely spread were the Baring interests. Among other American firms it threatened with disaster was the George Westinghouse Manufacturing & Electric interests in Pittsburgh. In four years he developed a business of $150,000 to one of $4,000,000. He had to have money.

He invited the leading bankers of Pittsburgh to meet him, hear his story. What he wanted was a half million dollars

and he made so favorable a presentation of what he had done that his half million dollars was promptly over-subscribed.

But the bankers who knew about money but not about the electrical business then proceeded to tell Mr. Westinghouse that they could not give him a free hand in using the fund they were raising. They had to know what he was doing with their money. From their point of view he spent too much on experimentation, was too liberal in buying patents. Westinghouse refused to agree and the bankers refused to accommodate him. This assertion of a right to exercise control over the business of a man was a function of banking of the day resented deeply by many borrowers. It was threatening to give the bankers too large a place in the business world. However, it was only an expansion of the part the country bankers had always played in many parts of the country - counselling the farmer about his methods, refusing loans when he was over-optimistic or spendthrift and sometimes foreclosing for no other reason than that he might gather in the property.

Westinghouse refused to agree and turned to New York where the banking house of August Belmont formed a financial syndicate and re-organized the concern. The net result was the reduction of a total outstanding liability of more than ten million dollars, with annual interest charges exceeding one hundred eighty thousand
dollars, to less than nine million dollars, all in stock - thanks to a voluntary sacrifice on the part of the stockholders and the willingness of the bankers and creditors concerned to take preferred shares in an enterprise of which the success must depend almost wholly on one man." (1) (See Page 348 A)

(A) Prices began to decline. Taking the average price of sixty leading staples between 1879 and 1889 as one hundred they fell in 1891 and 1892 to ninety, and continued to fall. Two years later, 1894, they stood at eighty two; in 1896 at seventy seven; in 1897 at seventy three. It was to be nine years before they came back to the 1889 average. Prices were low at home and outside nations were not buying as they had been doing - sure sign of their depression. Only twice so far in our period had we bought more from other nations than we sold to them. This had happened in 1888 and 1899 and industry was warned it would happen again soon and it did in 1893.

Inevitably the decline in consumption, the low prices, the contracted foreign market began to eat into employ- ment and into the wage structure with consequent unrest on the part of labor. It was not long before the folly of the failure to develop out of the terrible labor experience of the '80's effective federal some/machinery for adjudicating disputes, state and/arbitration boards to be invoked in the interest of the public when the contestants failed to come to a satisfactory settlement was tragically illustrated.

1) Leupp, Francis E. George Westinghouse, His Life and Achievements. Page 161
Westinghouse was more fortunate than many others who had been caught by the baring failure and now found themselves without money or credit with which to carry on their businesses. Things began to slow up on all sides, prices to decline. (See Page 348 A)
Iron and steel had suffered sorely in the general

decline of business. Beginning with 1890 the price of all
rolled steel products had begun to fall; steel billets which
were selling in Pittsburgh around $35.00 per gross ton at the
beginning of the year had fallen to $25.00 by the end. This
fall continued until at the end of 1894 they stood at $15.00. (1)

Iron and steel men were saying that wages would have
to come down. This was the conclusion of H. C. Frick, the
general manager of the Carnegie Company, who was faced with the
necessity of signing at the end of June 1892 a new contract with
the members of the Amalgamated Association of Steel and Iron
Workers, skilled workers employed in the Carnegie plant at
Homestead, outside of Pittsburgh on the Monongahela River. The
contract terminating at this time had run for three years and
was on a model which Andrew Carnegie had approved — sliding
scale-wage going up without limit as prices rose and falling
as they fell though never beyond a minimum of $25.00 a ton — the
product being steel billets. This sliding scale and the way it
had been introduced was in Mr. Carnegie's opinion his chief
service to labor. "It is the solution of the capital and labor
problem because it really makes them partners alike in prosperity
and adversity," he wrote in 1916. (2)

1) Price Chart for Rolled Steel — Iron Age. Jan. 1893 to 1902
   Ripley, W. Z. Trusts, Pools & Corporations, Page 79

When the question of renewing the old contract was raised in the Spring of 1892 by the officers of the Amalgamated Mr. Frick offered one in which the minimum was reduced to $22.00 per ton with a reduction in tonnage rates whenever new machinery and improvements had substantially increased output, also earnings and also a change in the date for ending contracts from June 30 to December 31. The existing date, coming as it did in full season, gave labor an advantage in bargaining - the end of the year gave the advantage to Mr. Frick.

The Amalgamated dissatisfied offered substitutes - $24.00 for the minimum instead of $22.00. Mr. Frick raised his offer for $23.00 but refused more. He also refused further conference with the Union. Take it or leave it was his position. The Union refused to take it but it also refused to leave it. The jobs were theirs. In this contention they had always been upheld by Andrew Carnegie. "Thou shalt not seek they neighbor's job," he had preached to his men.  

They would not accept the lower wage offered, also they would not allow their places to be filled by strike breakers. June was a month of growing bitterness and resentment among the laborers and citizens of Homestead. Finally Frick was hung in effigy and at that point the plant was closed and deputy sheriffs sworn in to guard the property. The men ordered them out of town, saying they would themselves guard the plant. There is reason to suppose they would have done so; it was their all. They believed they had a vested right in the industry.
but Mr. Frick recognized no right of labor in an industry and sent up the river two barge loads of Pinkerton detectives—a class of men held by labor as the most contemptible in the country. It was not labor alone that detested the Pinkerton detectives; Senator J. N. Palmer of Illinois voiced a widespread view of them in the Senate a few days after Mr. Frick called them to Homestead.

"The army raised and commanded by the Pinkertons," he said, "is as distinctly known in this country as is the regular army of the United States. For years that force has existed. Its number is not always the same. The commander in chief of this army, like the barons of the Middle Ages, has a force to be increased at pleasure for the service of those who would pay him or them, and they have been employed in many places, in many of the States of the Union. They have been employed in New York, and have shed the blood of citizens of that State. They have been employed in Illinois, and have shed the blood of citizens of Illinois." (1)

1) Appletons' Annual, 1892. Senator Palmer of Illinois, July 7th Page 209
It was on July 6, a week after the closing of the
plant, that the Pinkerton force armed with Winchesters appeared on
the river at Homestead and attempted to take possession of the mills.
They were met by volleys of fire from workmen who had entrenched
themselves behind piles of steel billets and picked off the men of
the invading force as rapidly as they showed their heads. Repeated
efforts were made by the Pinkerton detectives to land but the
defending force had the advantage of numbers, position and defensive
weapons. The last was strengthened on the second day of the battle
by brass cannons, planted behind breastworks of railroad ties. When
these cannons failed to destroy the barges, hose sprayed oil over them
and barrel after barrel was poured into the river above the mooring
place the object being to set the barges afire once they were well
oiled. After seven of them had been billed and twenty or thirty
wounded the Pinkertons' force surrendered. They were guaranteed safe
conduct out of the community on condition that they left their
arms and ammunition behind them. It proved not so safe, for the
maddened mob fell upon them with stones, clubs and even rifles.

In this battle from the sixth to twenty seventh of July
eleven workmen and spectators were killed and many wounded. (1)

The re-establishment of order proved too much for the
sheriff and his deputies. The Governor of Pennsylvania was
repeatedly appealed too and on the twelfth sent in a force of militia;
the town was placed under martial law and the plant was opened with
a small force of non-union workmen.

1) Annual Cyclopaedia for 1892. Pages 626, 627
Other sources for the Homestead Strike are the "Annual Report of
the Secretary of Internal affairs of the Commonwealth of Pa.
Part III Industrial Statistics, 1892 in Wright's "Industrial
Evolution of the United States" and the newspapers of the period.
Hardly had order been restored before a new element
of terror was injected. On July 21st Mr. Frick was stabbed
in his office, though not fatally. The natural supposition
was that the strikers were responsible for the attack but
it was soon proved that they had no connection with the would
be murderer, that he was one of a small group of anarchists
calling themselves autonomists - Alexander Berkman by name.

Their autonomist leader was an exiled Austrian -
Peukert - who held with anarchists generally that government
its
in all forms is oppression and that the perfect society is to
be built by a union of order and anarchy.

The autonomists all claimed as did Berkman that
the attack on Frick was planned and executed without help or counsel.
"We," Peukert explained, to John Gilmer Speed, a well-known
special writer of the day, "do not tell each other what we mean
to do. Each man is a law to himself and when he sees his duty
he does it." (2)

Speed found among the various groups he interviewed
at this time the belief that Berkman had been moved to some act
which would help the cause by his anarchist mate or wife, so-
called Emma Goldman, but no one believed her to know what the
act was to be. Miss Goldman claimed, not to have known though
she told Speed she was very proud of Berkman's courage and
loyalty to this cause. Later in her memoirs she told the story.

1) Bridge, J. H. The Inside History of the Carnegie Steel Company
   (N.Y. 1903) Chap. XV

   August 20, 1892. Page 798
When news of the lockout at Homestead first reached Emma Goldman and Berkman who had at that time kept a restaurant in Worcester, Massachusetts, they immediately closed up their business and went to Pittsburgh where sheltered by two or three comrades they prepared, as was the anarchist custom in times of serious labor trouble, a manifesto. After this they returned East. It was later the war between the Pinkertons and the workers which persuaded Berkman to make his attack on Frick. The only person who knew of his intention was Miss Goldman, who it was he intended to kill. As they had only money enough for one of them to go to Pittsburgh Berkman asked Peukert for a loan for the "cause" - who, Peukert refused a killing, though he did not tell him. The greatest regret in Miss Goldman's life evidently was that she was not able to accompany Berkman, "all for the lack of a paltry $50.00." (2)

2) Idem. Pages 87-95 Vol. I
Berkman was sentenced to twenty one years in the penitentiary for assault with intent to kill. He was released after thirteen years of imprisonment. Henry Frick died December 2, 1919 and as it happened that same day Berkman along with Emma Goldman was deported by the United States Government. (1)

The Homestead affair was carried to the courts by both sides. Arrests were made on July 18 of some of the leaders of the workmen, on a charge of murder. On August 3, retaliatory suits were begun against the Carnegie officials, the Pinkerton brothers, and five of their men likewise on a charge of murder. Mr. Frick was arrested as soon as he recovered sufficiently to be out. Later, a charge of high treason was brought against the Homestead Advisory Board. On October 11, the Grand Jury returned true bills in the treason cases against the strikers, and also in the murder, conspiracy, and aggravated riot cases against the Carnegie officials and the Pinkerton detectives. (2)

Gradually, very gradually, the Homestead plant returned to steady work. It was late in November before the strike was declared off; at that time not more than eight hundred of the old employees had been re-instated.

For Andrew Carnegie, retired and busy at his castle in Scotland, but in contact with management as befitted one who held $13,833,333 capital stock of the $25,000,000 corporation, the Carnegie Steel Company which came into being on July 1st, 1892 it was a devastating experience.

2) Appletors' Annual Cyclopaedia. (1892) Vol. XVII Page 627
To William E. Gladstone who in September wrote him a sympathetic note he replied:

"This is the trial of my life (death's hand excepted.) Such a foolish step — contrary to my ideas, repugnant to every feeling of my nature. Our firm offered all it could offer, even generous terms. Our other men had gratefully accepted them. They went as far as I could have wished, but the false step was made in trying to run the Homestead Works with new men.

"It is a test to which workingmen should not be subjected. It is expecting too much of poor men to stand by and see their work taken by others. Their daily bread. In all my experience I have had only one grossly unfair action on the part of 178 secretly sworn Irishmen to combat — just such men as render the Homestead Works a nest of dissatisfaction. I said: 'Gentlemen, we cannot do what you demand, but we will wait. You have stopped the Works, let us see you start them. Not until a majority vote to start work shall a wheel turn.'"

"It was all quietly settled. This our partners should have done, and I have written sketching the plan, alas! too late .... The pain I suffer increases daily. The Works are not worth one drop of human blood. I wish they had sunk." (1)

In March of the next year he wrote to Whitelaw Reid:

"I have been in misery since July, but I am reconciled somewhat since I have visited Homestead and gone through all the Works and shaken hands with the chief men.

"No one knows the virtues, the noble traits of the true working man who has not lived with them, as I have, and there's one consolation in all my sorrow; not one of them but said, 'Ah, Mr. Carnegie, if you had only been here it never would have happened.'"

"To add to my cup I know the mistake injured my friends, President Harrison and yourself, but I was powerless. After the riot and with Mr. Frick supposed to be dyimg no step could be taken that would not have complicated matters still more. I was all ready to return by the first steamer, but as my appearance on the scene would have implied Mr. Frick's virtual deposition and he had begged me not to do this, I remained abroad." (2)


2) Idem
In his autobiography Mr. Carnegie says of this talk with the man that he told them they had been badly advised that he was not sure he would have offered so much.

"Oh, Mr. Carnegie, it wasn't a question of dollars. The boys would have let you kick 'em, but they wouldn't let that other man stroke their hair." (1)

And he adds, "I am certain that disputes about wages do not account for one half the disagreements between capital and labor. There is lack of due appreciation and of kind treatment of employees upon the part of the employers." "It is not capital we need to guard, but helpless labor," he comments. (2)

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2) Idem
Whilst it is difficult to see anything but loss for the contestants in this ghastly affair for public opinion there were certain gains. There was an increased conviction that the public had a right to demand machinery for adjusting labor disputes; talk of compulsory arbitration under state and Federal direction increased.

What had happened at Homestead might under the present disorganization of industry happen anywhere in the United States where large numbers of men were employed in great manufacturing plants. It brought the matter home startlingly to members of Congress, many of whom anxious over the strained relations in their own districts. Particularly did they feel the misery and the danger in hired guards and on August 2nd the United States Senate adopted a resolution calling for an investigation of the Pinkerton plan and practice. (1)

A third consideration which was put pointedly to the public was whether men who had spent their lives in a particular industry could insist that they had the right to employment so long as their labor was satisfactory. Senator Palmer of Illinois put their case in the Senate when he asserted that the men at Homestead had earned the right to live there and to have employment there.

These large manufacturing establishments must hereafter be understood to be public establishments - the owners of these properties must hereafter be regarded as

1) Appleton's Annual Cyclopædia, (1892) Page 627
holding their property subject to the correlative rights of
those without whose services the property would be utterly
valueless." (1)

The depression which had forced down prices in
iron and steel and so brought on this disastrous warfare grew
throughout the months of the agitation and by the opening of
1893 there was great uneasiness in the stock market because
of signs, particularly in railroads of over-strained credit.
The first collapse was in Philadelphia and Reading, a road
which had gone in and out of the hands of receivers several
times in the previous decade - a victim as one shrewd
financial observer said of a management alternating between
"visionaries and plunderers." (2)

In 1892 the Drexel Morgan Company had carried out a
re-organization on a magnificent scale, leasing both the
New York Central and the Lehigh Valley for nine hundred ninety
nine years and guaranteeing dividends on their stock. At the
same time they had bought up many roads and coal companies in
their territory, evidently planning to build up an anthracite
monopoly with which to feed their new system. The announcement
of this combine in February 11, 1892 caused the biggest day's
business in the New York Stock Exchange it had seen up to that
date.

So far as the public could see everything was going
well with the Reading. In January of 1893 the management

1) Appleton's Annual, 1892. Senator Palmer in Senate Debate
on Homestead riot.

2) New York Evening Post, Sept. 5, 1893. Page 8
issued a clean report assuring the public, nervous over
general conditions, that it had ample capital to meet the
year’s obligations. Shortly after it paid a five percent
dividend on its preferred income bonds. (1)

This done apparently without warning and certainly
to the bewilderment of many astute financial observers the
Reading went into the hands of a receiver. The announcement
caused a terrifying collapse in the market; the sales of the
day (February 25th) being the heaviest in the history of
the exchange - greater than those of the day just a year before
when the combination was launched. (2)

The Reading failure was one of many proofs this
period was to furnish of the advantage in a crisis and probably
in all but boom times of the small concern. The Reading was
loaded with a tremendous burden of liabilities. It could only
meet those by selling at high prices all the coal the great
territory it reached consumed. They believed they had the
resources to do this, but when business slowed down and demand
and prices both fell, the bottom dropped out of their scheme.
Small competitors with low expenses undersold them and even
thrived while they starved.

1) Commercial and Financial Chronicle. May 6, 1893
2) Appleton’s Annual Cyclopedia, (1893) Page 297
The failure in railroads which began in February with the Reading was followed in July by the Erie; in August Northern Pacific; in October Union Pacific; in December by the Atchison and the New York and New Haven. (1)

A general complaint of bankers and investors in these failures as in those of the industrialists was that the information they had furnished the public, including investors, financial agencies and even their own brokers was so meager that no intelligent appraisal of their value could be made. In 1895 Mr. Thomas Woodlock of the Wall Street Journal published a study called the Anatomy of a Railroad in which he contended that reports were rarely clear enough to show an investor the condition of the property in which he was interested. Mr. Woodlock's conclusion as to the Erie was that its fixed charges were too heavy to be earned even in average years. (2)

1) Commercial and Financial Chronicle, January 6, '94 Review of 1893
2) Woodlock, Thomas. The Anatomy of a Railroad. Page 64
But it was not the collapse of the Reading which precipitated the Panic of 1893. In the judgment of Harper's Weekly a panic was averted at the time of its collapse by the Stock Exchange Clearing House. This institution was less than a year old having been organized in May 1892 to do for the exchange what the Clearing House Association had done for forty years for the New York bankers. It was "by the mathematical certainty as well as by the swiftness of its work in handling the tremendous volume of its business at that sensitive period" that the panic was averted. (1)

It was not unsound railroad financing that precipitated the Panic of 1893, but the failure of one of the group of union industrial trusts spawned in the late '80's - the "rope trust" or National Cordage Company.

The Company was unsound in its structure, but few of those who speculated in its stock took pains to inform themselves about the character of the securities. They were interested only in their market performance and that had been highly successful.

One large branch of the rope trust was binder twine, a product used only in the summer and made in the preceding months. It had been the practice of the rope trust to borrow money on their stocks of binder twine for the winter and

1) Harpers Weekly, August 12, 1892
spring financing. Early in ’93 they had some five or six million dollars worth on hand and no worries about the future. Then came the Reading failure and their bankers notified them they could not take care of the usual loans.

"Then" said the president of the trust, explaining what happened to the Industrial Commission in 1900, "we thought we had better issue more preferred stock to increase the working capital and to make ourselves independent of the bankers. It was that increasing of the preferred stock which was noticed. It got out on the market and that caused a panic in our stock, and that caused all our creditors to jump on us. The bankers had liens against the twine and wanted their pay, and with us the only safeguard was to have a receiver, otherwise some people would have received a preference; but the failure was entirely due to the inability to get credit, which had never been curtailed before in our history, and the uneasiness due to the general distrust in regard to the silver question and the failure of the Reading Railroad Company." (1)

There was another reason given by the receivers. They found the accounts of the trust, of its several subsidiaries and of its officers so confused that they declared they could not make head or tail of the business. "An impressive illustration of the merits of business centralization. A fine thing for the speculators but a poor reliance for investors." (2)


2) New York Evening Post, May 6, 1893
But the collapse proved to be but the first in a day. More than one old timer declared it to be the most disastrous he had seen since the Panic of 1873. One sensational failure was that of an operator who if among the best liked men on the exchange had in the previous twenty-five years caused an amount of disturbance and suffering in the financial world which could hardly have been duplicated.

(This was "Deacon" S. V. White—a fourth failure.)

Nineteen months before he had failed in an attempt to corner wheat and had made a settlement with his creditors which permitted him to go on with his gambling as if he were doing a normal and legitimate business. (1) This was the result.

Banks, corporations, mortgage companies, continued to fall. Call money rose as high as seventy-two percent. (2) Terrible sacrifices of supposed valuable properties were made. Ex-secretary Fairchild told of a mortgage house in Boston in which he was interested, forced to have money selling for $9000, a mortgage they had regarded worth $220,000.

Industries refused by their bankers the money to meet pay rolls save at excessive premiums went to all sorts of expedients often issuing scrip. In Pittsburgh one large industry which paid in cash was the Westinghouse Electric and Manufacturing Company. The money was in small denominations.

2) Appleton's Annual for 1893. Page 303
dollars, half dollars, quarters - taken in at the gate to the World's Fair in Chicago and paid weekly to Mr. Westinghouse in preference to all other creditors because of the brilliant work he had done in lighting and illuminating the grounds. (1)

While the Westinghouse concern which as we have seen had been saved from bankruptcy in 1890 by re-organization was weathering the storm its chief competitor in the electric field was in deep trouble, the General Electric, a consolidation only a year old made up of the two most famous electric concerns in the United States - the Edison General Electric and the Thomson-Houston Company. The former had been organized by Henry Villard in 1889 with a capital of $12,000,000. Villard had been from its start a director in the Edison Light and Manufacturing Company. The concern which had its headquarters at Schenectady, New York had been most successful. In ten years its capitalization had increased from something like a half million dollars to fifteen million, its payroll from something like eight hundred men to over six thousand, its profits from practically nothing to over two million, but Villard thought they could do better. He had become interested in Germany in the work of the leading electrical firms. Why not united the German and American interests in a new corporation with private capital. It was done - a new start. (2) But in spite of the size and strength of the new organization it was found that the Thomson-Houston was giving it a threatening competition, out-taking it in volume of business. Moreover, Thomson-Houston controlled

1) Leupp, Francis E. George Westinghouse - His Life and Achievements, 1918. Pages 169,170
patents which were dangerous to Edison's ambitions. In 1891 the Edison directors suggested a combination of the two concerns. It was not as unequal a union financially as the names of Edison and Siemen and Villard and Morgan might lead one to expect. The Thomson-Houston Company (1) had had a spectacular growth. Starting with a capital in 1883 of some ninety thousand dollars - it now had one of over ten million. Its three hundred hands had become four thousand; its profits of less than twenty thousand dollars in 1883 were very like those of the Edison at the end of the first ten years - over two million. That is, in size the two concerns were not so unlike.

To Charles Coffin, the founder, it seemed a great opportunity to end a big part of the costly patent warfare which the firm had had to carry on and in April of 1892 the consolidation was completed - a $50,000,000 capitalization under the name General Electric Company. It was a title which named no man, not Thomas Edison, Elihu Thomson, Frank Sprague, Van Depoele, Charles Brush, or any one of several other electric concerns which had found themselves by negotiation or pressure with one or the other of the two contracting parties. Charles Coffin now became the active head of the General Electric which in its first report, June of 1893, announced one thousand two hundred seventy seven central stations using its apparatus. At the time of the amalgamation the largest generator they put out was two hundred seventy five horse power. They now made (1893) and had already sold seven of two thousand horse power.

1) See Chapter V
But before the end of its first year, 1893, the General Electric was in deep financial trouble. It had been the practice of both the concerns making up the General Electric to endorse the notes of young utility companies willing to buy electric equipment if they could get credit. If local bankers were many, as often happened, the electric companies for the sake of sales gave their endorsements taking bonds and stocks as securities. When the Panic of '93 came Charles Coffin found himself with securities normally worth something like $16,000,000 but which could not now be sold at any price through ordinary channels, and he had to have money. The bonds were sacrificed to get it, being sold for $4,000,000 to a syndicate known as the Street Railway and Illuminating Properties. (1) The reorganization and rehabilitation of these small bankrupt concerns became one of the nicest problems of the industry in the next few years.

While the Panic of 1893 threatened the life of the General Electric the orders on its books taken by Coffin in 1892 actually produced profit in both the panic year and in 1894. It was in 1895 and 1896 that output dropped but after the election of '96 business began to revive and 1898 showed the largest volume the company had ever handled. (2)

2) Report of General Electric for fiscal year ending 1899
The fall of prices which had begun to work harm in 1891-1892 was continuing. In 1893 the average price of sixty-six staples measured by an average of one hundred in the ten year period, 1879-1889, had fallen to eighty-two, and down it continued for the remaining five years of our period - 81, 77, 73, 79, 77 - the last for the year 1898-1899 (1).

The drop in wages did not follow that in prices according to the bulletin of the labor bureaus, counting the wages of 1891 as one hundred. In 1898 they stood at 95.62, prices as we have seen at 79, but these are daily wages. It was not wages that were changing so much as the amount of employment - down because of the number of days worked and this all came from the decline in orders.

The continued fall in prices acting on the wage scales met with strong and often violent resistance on the part of organized labor. One of the most destructive and significant strikes in these troubled nineties was born of slackened orders, lowered prices and consequent wage cuts - the Pullman strike of June and July 1894.

The Pullman Car Works had suffered from the beginning of the depression. A labor force of five thousand eight hundred sixteen men at the beginning of 1893 fell to two thousand before the year was out and wages had been cut by twenty five percent. Then George Pullman the head of the concern undertook to build up business by taking orders at a loss. He claimed in 1893 to have built three hundred passenger cars each at $300.00 less than cost. Cattle cars and refrigerator cars were built with corresponding loss. By this means he returned some two thousand two hundred men to the pay rolls.

In May of 1894 the men at Pullman asked for a restoration of their wage scale. The plants were busy; the company was paying dividends; their rents had not been reduced. They felt that the twenty five percent cut they had suffered was too great. They made their request through an employees committee. It was refused, Mr. Pullman taking some pains to explain the losses the company was taking in order to keep the works going. As for the complaint that their rents at Pullman were higher than they could afford and that if wages were cut should be lowered, he contended "that none of the reasons urged
as justifying wage reduction by it as an employer can be
considered by the company as a landlord." (1) "That is,"
concluded the United States Commission which later
investigated and reported on the strike the company avails
itself "to the fullest extent of business depression and
competition in reducing wages, and to disregard the same
conditions as to rents. No valid reason is assigned for the
position except simply that the company had the power and
legal right to do it."

The day after the interviews of the committee were
dismissed on the ground of no work. They were members of a
local union of the American Railway Union organized at
Chicago in 1893 "for the purpose of including railway
employees born of white parents in one great brotherhood."
The fact that the employees of Pullman Car Works belonged
to the manufacturing and not transportation world was waived,
that is the philosophy of the Knights of Labor instead of
the Federation of Labor was followed.

When the Pullman local learned that the three
representatives had been discharged it called a strike. The
company laid off its entire labor force and closed its works,
Mr. Pullman announcing that he was much relieved by the removal
from his shoulders of the responsibility for the bread and
butter of four thousand two hundred men and their families. (2)

53rd Congress, 3 Sess. "Rents" Pages XXXI ff.

The men were allowed to remain in their homes, that is no evictions were made. This was the situation when in June the American Railway Union met in convention in Chicago and proposed arbitration to the Pullman Company. The company refused to consider any communications from the body and thereupon the Union decided that after June 26th its members would handle no Pullman cars on any railroad.

The American Railway Union out of sympathy for strikers declared a boycott on Pullman cars. They declared they were willing to handle all trains of which Pullman cars were not a part and they asked particularly that such cars be separated from mail trains. (1)

The strike was thus transferred to a national field and its principles became the railways under contract to move Pullman cars and their employees who refused to move them. This was the way Eugene Debs, the president of the Union saw it.

"The contest is now on between the railway corporation united solidly on the one hand and the labor forces on the other," declared his first manifesto after the call to strike.

The refusal to arbitrate brought a flood of remonstrance from the country. The common council of Chicago asked it. Mayor Pingree of Detroit, a large employer, went himself to Pullman with Mayor Hopkins of Chicago carrying a sheaf of some fifty telegrams from mayors of as many cities.

1) Browne, Waldo R. "Altgeld of Illinois" Pages 117-120
fearing no doubt what the refusal might mean to their towns
to beg the Pullman company to reconsider. Nothing to
arbitrate was the answer they received. (1)

Mark Hanna who had employed big bodies of labor
for years handling them much in the way Andrew Carnegie
did by a combination of generosity, force and paternalism,
raged at George Pullman in the Union Club of Cleveland. He
was a fool, an idiot, not to "arbitrate, arbitrate and
done arbitrate." When somebody answered that Pullman had fine
things for his men, giving them a model town, Hanna exploded
with a big oath.

"Oh, hell! Model! Go and live in Pullman and
find out how much Pullman gets sellin' city water and gas
ten percent higher to those poor fools! A man who won't meet
his men half-way is a God-damn fool!" (2)

"'His words,' so comments Mr. Beer, 'sped out and
came into Chicago; in 1896 there was a difficulty in
collecting money for the Republican campaign fund from
Mr. Pullman's office.'" (2)

The favorite demand of mayors and large employers
of labor to "arbitrate, arbitrate, arbitrate" was due partly
to their realization that a general strike at that moment was
made more dangerous by the attempt the unemployed were making
to organize industrial armies of protest. The first of these

1) United States Commission. Page XXXIX
2) Beer, Thomas-Hanna. Page 132
was known as Coxey's army after its leader, Jacob Selcher, Coxey of Massillon, Ohio.

Coxey a very retiring, unassuming gentleman was a native of Pennsylvania and after working for ten years in the iron mills of that State had gone to Ohio where he became a farmer, quarryman and horse-breeder. He was supposed to be worth some $200,000 by 1893. (1)

Coxey had like scores of others in depressions his own plan for ending unemployment - the government to issue non-interest bearing treasury notes and set men at work improving the country's highways. They certainly needed it and the country could well have afforded to accept the proposal but it had not a chance of recognition by the Congress he addressed. Failing to secure a recognition Coxey decided to raise an army of the unemployed, lead them to Washington and on May 1, 1894 present the petition in person.

"The aim and object of this march to Washington," Coxey said, "has been to awaken the attention of the whole people to a sense of their duty in impressing upon Congress the necessity for giving immediate relief to the four million of unemployed people and their immediate families, consisting of twelve million to fifteen million more." (2)

Coxey had started out with one hundred twenty two men which by the time he reached Washington had grown to four hundred. The police allowed them to parade but kept

1) Vincent, Henry. *Story of the Commonweal* (Chicago, 1894) Page 16
2) Coxey, J. S. *Speech at Williamsport, Md. April 18, 1894. Contemporary newspapers*.
them out of the Capitol grounds, finally arresting Coxey when he
broke through their lines and attempted to make a speech on
the Capital steps.

"Up these steps," he said in his protest at not
being allowed to present his petition to Congress, "the
lobbyists of trusts and corporations have passed unchallenged
access
on their way to committee rooms/to which we the representatives
of toiling wealth producers have been denied." (1)

It was pertinent. Washington was alive with lobbyists
fighting the Wilson Bill. Senator Quay of Pennsylvania who
had threatened to talk it to death if it did not give
sugar and the manufacturers among his Pennsylvania constituents
what they asked was just finishing twelve days of continuous
filibustering. The tariff reform press seized the opportunity
Coxey gave them to compare the two raiding armies, the one
was born of the other, was a frequent comment.

"The industrial army composed of manufacturers
besieging the government with their clamor for higher duties
and higher profits have prepared the way for the Industrial
Army." (1)

After this experience in Washington Coxey's Army
disbanded and scattered, but by this time at least seventeen
other "industrial" armies were headed for the Capital.

1) Quoted in McMurry, Coxey's Army, 120

2) Harpers Weekly. June 12, 1894. Page 434
The most serious and interesting was Kelly's Industrial Army, some one thousand five hundred men that San Francisco had loaded onto a train of box cars and had headed East at her expense. The army was led by a gentle pale-faced printer - "Gen" Charles T. Kelley - elected by the unemployed as leader. At Council Bluffs, Iowa the railroad dumped the men and took away the cars. Outside the town they camped a week in the mud, fed by a great body of sympathizing town people and laborers - waiting for the railroad to furnish transportation. They never did and finally the army took to the road afoot. Through all this pathetic journey Kelley, as Coxey, kept order in his force (1) but not all of the division were manageable.

The Montana contingent of the Industrial Army, made up of miners, mountaineers and "hoboes", when refused a lift by one of the line managers of the Northern Pacific proceeded to capture a train and run it for themselves on "one of the most daring and exciting rides in all the history of railroading." The Industrialis, who numbered about six hundred fifty were followed by a trainload of deputies and at Billings a fight ensued during which the deputies were worsted, since the people of the town helped the "pirates." Eventually a contingent of federal troops surrounded the train at night and the men

surrendered without a fight.

In April James J. Hill warned President Cleveland that he might be called upon to take firm action if serious disorders became prevalent.

"There are," said Mr. Hill's letter for the president's information, "between four and five thousand men between here and the Pacific Coast in parties of from two to six hundred, desiring to go to Washington. They are mainly of the worst class - men who do not want to work for a living. If they can be prevented from starting and dealt with in small squads, the matter can be settled sooner and more safely than if they are allowed to go as far east as St. Paul or Chicago." (1) Such as that called by the American Railway Union, now inject a general strike into a semi-organized mass of unhappy men scattered all over the country and anything may happen, that distracted mayors like Pingree knew - so did the serious press and all sober-minded citizens.

The calling of the general strike concerned some twenty four different railways centered in Chicago, operating about forty one thousand men and capitalized at over two billions of dollars. These roads as a group were represented by an association formed in the troubled days of 1886 and called the General Managers Association. Its business was the "consideration of all problems of management arising from the operation of railroads centered in Chicago." (2)

1) Pyle, Joseph Gilpin. The Life of James J. Hill. Vol. II Pages 79-80, 81

Its activities had concerned wages chiefly. The United States Strike Commission considered that the Assistant had no standing in law.

("It cannot incorporate because railroad charters do not authorize roads to form corporations or associations to fix rates for services and wages, nor to force their acceptance, nor to battle with strikers."

"The association is an illustration of the persistent and shrewdly devised plans of corporations to over-reach their limitations and to usurp indirectly powers and rights not contemplated in their charters and not obtainable from the people or their legislators."

It was this organization which faced the railway unions and refused to deal with any representatives. "The refusal of the General Managers' Association to recognize and deal with such a combination of labor as the American Railway Union seems arrogant and absurd when we consider its standing before the law, and its past and obviously contemplated future action." (\textsuperscript{1})

The Railway Union received the General Managers' Association's answer to their proposal on June 26th and at once switchmen refused to attach Pullman cars to trains. When they were discharged the train crews quit in a body. By the

first of July nearly every road in the West and Northwest of Ohio was tied up. (1) That is, in less than a week a large part of the nation's business had been effectually stopped by the refusal of an unincorporated organization claiming to represent forty thousand miles of industrial transportation to arbitrate a grievance between the employers and employees of a manufacturing company which the employees for the forty thousand miles of railroad had espoused.

The country refused to wait on the movements of the two parties to the imbroglio. It was the business of the government to see that the trains ran. The railways were calling loudly on the government to protect them in running them. The strikers were contending that the government should not interfere with strikes and when a resolution was introduced into Congress the Senate forbidding such interference asked Senator C. K. Davis of Minnesota to support it. "You might as well ask me to vote to dissolve the United-States Government," he replied. (2)

The government had no machinery for compelling arbitration, settling the difficulty peacefully by law as in other civil disputes. It had only armed force and it was fairly certain that the use of Federal force to set the trains in motion would provoke resistance. The body of strikers was still in the main orderly, but the makings of a mob

2) Nation, (N. Y.) July 12, 1894
were on hand, irresponsible hoodlums, embittered men vainly seeking work. A sprinkling of direct actionists asking nothing better to set a match.

The first force employed by the government was unfortunate, some three thousand six hundred special deputies sworn in by the United States Marshal in Chicago. According to the United States Commission, these special deputies were selected by and appointed at the request of the General Managers' Association; they were armed and paid by the railroads and acted in the double capacity of railway employees and United States officers, although while exercising authority they were under the direct control of the railroads and not of any public official. Thus, as a first step, the Federal Government gave over its local police power directly into the hands of the railroads, allowing them to recruit (chiefly through detective agencies) a considerable body of reckless and irresponsible men, to arm them, and to send them out in the guise of United States officers to do whatever was required of them by the railroads. The Chicago superintendent of police, in an official report, refers to these special deputies as 'thugs, thieves and ex-convicts' and that characterization is amply verified in the testimony of many witnesses before the United States Strike Commission.

With the coming of the federal deputies rioting began. There were many who believed it was started by the railroads themselves seeking to break the control the strikers had so far
shown. It is possible, but can neither be satisfactorily proved or disapproved. Given the situation rioting was inevitable. It came at once, a frenzied mob burning cars, looting railroad property, threatening the life of the city.

Federal troops entered the city on July 3rd - State troops on the 6th. It was a little company of Illinois National Guards firing ruthlessly into a mob which virtually ended the strike. (1)

At the same time that employment of special deputy marshalls was authorized by the Federal Government a special counsel for the Government was authorized by Attorney General Olney. A Chicago attorney, Edwin Walker whom President Cleveland describes in his account of the strike as "able and prominent," was chosen. However, Mr. Walker was at that time and had been for over twenty years the Attorney of important roads leading out of Chicago. He immediately drew up injunction bills against the strike leaders. On July 10th, Eugene Debs and three others were indicted for obstructing the mails and Interstate Commerce. They gave bail and were released but a week later were arrested and indicted for contempt in disobeying the injunction. This time they did not give bail with the result as Debs said, "As soon as the employees found that we were arrested and taken from the scene of action they became demoralized and that ended the strike." (2 By the 20th all Federal troops had been withdrawn. On Jul 31st the Pullman Company issued its annual report. It had

1) Whitlock, Brand. Forty Years of It. Pages 90-92

done a business of about nine and a half million in the year
and had a surplus of some two and a half million, less by $1,700,000
than the year before due to the strike the report said. It was
employing two thousand six hundred forty men of whom only three
hundred were new employees.

The case of Eugene Debs was carried to the Supreme Court
where Justice Brewer in delivering the unanimous opinion of the
Court answered in the affirmative two questions: "Are the
relations of the general Government to interstate commerce and
the transportation of mails such as to authorize a direct inter-
ference to prevent a forcible obstruction thereof? Second, if
authority exists as authority in governmental affairs implies
both power and duty has a court of equity jurisdiction to issue
an injunction in aid of the performance of such duty?" (1)
Debs' conviction and sentence of six months in prison, and that of
his associates to three months in prison were therefore upheld.
This was the origin of the famous struggle over "government by
injunction" which formed an important plank in the Democratic
platform of 1896.

The Government while it was sustained by the Supreme
Court and over-whelmingly by public opinion in its contention
that it was obligated to use all its power to prevent interference
with interstate transportation and the moving of mails failed
entirely to take advantage of the opportunity to secure courts of
arbitration to which it could compel the submission of similar
disturbances. That is, it was still without means of dealing with

1) In re Debs, 158 United States Reports 564