The Rockefellers and the Angry Commoners

A century ago, the super-rich had to contend with class warfare.

By Beverly Gage

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Former Citigroup chairman Sanford Weill thinks that John D. Rockefeller had it good. "I once thought how lucky the Carnegies and Rockefellers were because they made their money before there was an income tax," Weill told the New York Times' Louis Uchitelle in July. "I felt that everything of any great consequence was really all made in the past."

Imagine Weill's surprise, then, to discover himself occupying an economic world that more and more resembles Rockefeller's. According to the most recent statistics, the richest .01 percent of Americans—the almost 15,000 families in Weill's peer group—now take home a full 5 percent of the nation's income. At least the poorest 20 percent, by contrast, some 60 million people, make do with about the same. The last time the concentration of income at the top was this extreme, according to economists Emmanuel Saez and Thomas Piketty, was in the 1910s and 1920s, when tycoons like Rockefeller, J.P. Morgan, and Andrew Carnegie were at or near the height of their power. And most of the recent increase in inequality has taken place in just the past few decades. Sometime between the tech boom and the subprime-lending crisis, according to a growing legion of social commentators and a slew of recent articles (including Uchitelle's), the United States entered a "new Gilded Age."

Technically, the 1910s and 1920s fall outside what historians describe as the Gilded Age, roughly the period between the end of Reconstruction in the 1870s and Theodore Roosevelt's 1901 ascendance to the presidency (thanks to an assassin's bullet). But the "new Gilded Age" is less a measure of the past than a comment on the present. What it suggests, in its baldest formulation, is that the mega-rich have been growing ever-mega-richer while the rest of us have whiled away our time worrying about health-care deductibles and 3 percent raises.

Viewed purely in terms of the statistics on inequality, the recycling of the Gilded Age moniker makes a certain amount of sense. The term also has a nice political edge for liberal critics: What's next, it implies, the repeal of those pesky child-labor laws? But numbers get us only so far in understanding how inequality actually played out for the first great generation of corporate tycoons such as Carnegie and Rockefeller.

A century ago, the "class question"—who would control industrial profits, who would set wages, whether capitalism was even compatible with democracy—was at the forefront of American politics, the impetus for mass uprisings, partisan warfare, and, for some, the hope of full-blown revolution. Even at the height of Social Darwinism (which, like inequality, seems to be making a comeback), industrial titans lived with an acute awareness that the poor were not altogether pleased with their lot, and that they might one day soon do something serious to change it. Today, by comparison, the inequality debate is positively polite, as if the gap between rich and poor were a minor matter to be considered by statisticians and policy-makers.

The apparent statistical similarity between the two periods often masks what's unique about today's inequality crisis. Take labor organizing, for instance. Today, unions represent approximately 8
percent of the private-sector work force—about the same percentage as a century ago. But labor's political fortunes could hardly be more different. At the turn of the last century, unions were on their way up, a rise that would lead to the passage of landmark federal labor legislation in the 1930s. By contrast, if current trends continue (as they probably will), private-sector unions will be all but extinct in the United States within the next few decades. In the chasm between these two political realities—between an era when class revolution seemed genuinely possible and an era when expanding the Earned Income Tax Credit seems like a pipe dream—lies the answer to that anguished query of today's progressive: How did we end up here?

A century ago, even the richest men in America could not escape concerns over impending class conflict. John D. Rockefeller Jr., son of the original John D., tried mightily—and failed. Largely a philanthropist rather than an industrialist, Rockefeller Jr. worked throughout his early life to tidy up his father's reputation, helping most notably to establish the Rockefeller Foundation in 1913.

The following year, however, his father's chickens came home to roost. In the spring of 1914, armed guards at the Colorado Fuel and Iron Co. fired on striking workers and then set fire to their tents, killing 11 children and two women cowering in a pit below. The Rockefeller family, the press soon revealed, owned a controlling interest in the company's stock, and Rockefeller Jr. sat on the board. The outcry was instantaneous. "Mr. Rockefeller is the monster of capitalism," Helen Keller (a socialist as well as a hero to the disabled) told reporters, according to Ron Chernow's *Titan*. "He gives charity and in the same breath he permits the helpless workmen, their wives and children to be shot down."

In the months that followed, protesters held regular vigils in front of Rockefeller's Standard Oil offices, his 54th Street mansion, and his country estate in Tarrytown, N.Y., demanding that he condemn the murders and respect their right to free speech. When he failed to heed their pleas, a few prepared to deliver a less subtle message. On July 4, 1914, three New York anarchists accidentally blew themselves up in a Lexington Avenue tenement while allegedly preparing a bomb to assassinate the "tyrant of Ludlow."

Rockefeller Jr.'s first instinct was to lash out against his critics. "There was no Ludlow massacre," he wrote in a private memo, according to Chernow. "While this loss of life is profoundly to be regretted, it is unjust in the extreme to lay it at the door of the defenders of law and property."

Rockefeller Jr. changed his stance, however, after consulting with Ivy Lee, a public relations strategist (these were pioneering times for the P.R. industry, too). Called the following year to testify about the affair before the Commission on Industrial Relations, he adopted a conciliatory tone, promising that he was moderating his social views. He also tentatively offered CFI workers the right to join a company-controlled union, a scheme known as the Rockefeller Plan. Even his father, who abhorred any concession to labor, took pains to ameliorate his image by the 1920s. Possibly on Lee's advice, he began to hand out dimes to poor children.

Both father and son performed other, more substantive good works as well, of course, establishing not only the Rockefeller Foundation, but also the Rockefeller Institute, Riverside Church, and the University of Chicago, among other institutions. Many of today's CEOs-turned-philanthropists look to such accomplishments as models of philanthropic behavior. As they do so, however, it's important to understand that this earlier generation turned to philanthropy at least in part as a matter of self-defense. Indeed, measured against the political pressures facing the tycoons of the early 20th century, the charitable activities of the Slate 60 seem decidedly selfless: They are giving away their fortunes even though nobody is threatening their lives.

On the other hand, as this recent *New York Times* magazine and other articles show, the new rich are also spending their money on $40 million Manhattan apartments and $120,000 birthday parties for...
their kids. The *Times* package, like much of the reporting on the rich of the new Gilded Age, smacks vaguely of voyeurism. ("Econ porn," you might call it.) More importantly, the attention being lavished on the ways of the contemporary rich misses a larger point about our current politics of inequality.

The real question of today's Gilded Age, highlighted by the comparison to its predecessor, is not why the rich became rich, or whether they behave well with their billions. It's why the rest of us seem to feel we can do so little about it.

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