The Journal of Centre for Promotion of Arts and Science
Volume 2, Issue 3, July– December 2026



https://journalcpas.kalavig.com

From a Colony to the Gilded Age America
- A Brief History of the USA -

SHARAT KUMAR,
Sharat Kumar is former Senior Adviser,
Government of India.
Email: sharat.kumar.dr@gmail.com.

Abstract

The last quarter of the nineteenth century was a very eventful period in the history of the United States of America (USA). It witnessed one of the largest single leaps in economic surplus in the US history and *laid the foundations of the future pattern of growth in the USA. This period is noteworthy for its prosperity as well as inequality in society. Whereas one section of society came to rival the aristocrats of Europe, the other section - comprising the majority - suffered deprivation. Because of this inequality, this period is known as 'the Gilded Age' and not the 'Golden Age' of America*.

Keywords

The Virginia company, Thomas West, Jamestown, tobacco cultivation, Massachusetts Bay company, American War of Independence, Industrial Revolution, American Civil War, Abolition of slave labor, economic surplus, monopoly capital, Gilded Age, business cycles.

I. Introduction

While Christopher Columbus discovered America in search of a sea route to India in 1492, the first successful long-term settlement in (North) America was made by the Virginia Company of England. It hoped to find mines of gold and silver in the new land and thus raised funds by selling stocks to

investors. Both Francis Bacon and Thomas Hobbes, the English philosophers were amongst the shareholders of the company (Winkler, 2018). In its Charter granted to the company, the British Crown gave it the right to acquire land, the exclusive trading rights and the right to govern the area under its control. In return, the company was required to deliver one-fifth (20%) of the profits earned to the Crown.

The company's three ships landed in the new world in 1607 at a place that is known as Jamestown in West Virginia (USA). There were initial hardships faced by the new settlers. An earlier expedition of the Spanish at Florida was a failure as it was swept away by the hurricane. A similar fate would have overtaken the Virginia Company but for the determination of Thomas West, the largest shareholder of the company and an English aristocrat. He followed the first expedition with more ships, a greater number of people and food supplies for a full year. West was appointed as the Governor of the colony with full and 'absolute power to punish, pardon and rule, and had a contingent of military men to enforce discipline (Winkler, 2018).

II. America began as a corporation

Against all their expectations, the Virginia Company failed to find gold or silver mines anywhere around their settlement. The company, therefore, took to cultivation of tobacco. Tobacco was used by the indigenous population in America for thousands of years for medicinal and cultural reasons. The Spanish had earlier introduced tobacco in Europe, and it had become popular with the elite as it was deemed to have medicinal value. The company began to export tobacco to Europe.

Despite this achievement, the company did not have much profit to share with the shareholders who complained that the company has only 'fairy tales and hopes to give'! In order to satisfy the shareholders, the company granted 100 acres of land to each shareholder. It was possible to do so because of the fast stretch of cultivable land in America. This, however, led to conflict with the indigenous natives of America who were brutally subdued by force.

The later colonies that came up subsequently in America followed the Jamestown model. They were also set up by various other corporations such as the Massachusetts Bay Company, the Roger Williams Rhode Island, the Providence Plantations and Connecticut Colony. The Massachusetts

Bay Company is closely linked to the settlement of the Pilgrims who arrived in America (New England), on the east coast of America, in 1620. It is for this reason that Adam Winkler, the author of the book 'We the Corporations', argues that America (the USA) began as a corporation.

Since the companies realised that it was more profitable to lease out land to individual farmers in return for a certain percentage of the produce than to manage the farms directly, a democratic structure of general assembly of residents in these colonies had come to exist. The general assembly took the major decisions, collected taxes and transferred the same to the Crown.

It is claimed that the Constitution of the USA shows striking resemblance to the Charter of the Massachusetts Bay Company. The company had set out 'a framework of government complete with the representative assembly, an elected chief executive and guarantees of individual rights. The assembly mandated by the Charter had the power to enact orders, laws, statues and ordinances necessary for the colonies governments' (ibid).

III. Slave trade and economic surplus

Tobacco became the most important cash crop of the Virginia Company. It is, however, a very labour-intensive crop. Tobacco cultivation requires human labour not only for planting but for removing insects, picking up tobacco leaves and drying them. More indentured labour was brought from Europe for its cultivation. However, once their period of contract was over, these labourers became free. The majority of them bought land of their own and began cultivation of tobacco.

The Virginia Company thus faced shortage of labour time and again. They, therefore, copied the model of sugarcane cultivation in the Caribbeans. With this began the practice of slave labour brought from Africa into North America. This practice of slave labour in America began in 1610 and continued until 1863 when it was abolished through the Thirteenth Amendment of the US constitution.

Negligible wages to slaves and high profits of planters

Slavery thus persisted in North America for more than 250 years. The population of slaves varied between 18% to 13% of the total population of the USA between 1790 and 1860. In terms of absolute numbers, it went up from 6,97,624 persons in 1790 to 39,53,760 in 1860. As very low or negligible

wages had to be paid to slave labourers, profits of planters were very high. The slave owners could thus sell their produce much cheaper and increase their sales. Since Europe was a ready market for their produce, 'slavery' generated huge economic surplus for the American economy over a period of more than two centuries.

IV. American War of Independence (1776 to 1783)

The colonial administration in North America, under the British, took three forms: (a) corporate colonies run by private companies under a Royal Charter, (b) proprietary colonies that were granted to individuals or families by the Crown and (c) Royal Colonies, administered directly by the British Crown. When higher taxes were imposed in the colonies in the face of the debt incurred on French and Indian wars, the maximum opposition came from the colonies that were ruled by the private companies.

In their opinion, the Parliament could not interfere in these colonies as their Charter was granted by the King. Aside from the higher taxes on colonies to pay for the high debts incurred on wars, the British government imposed very high taxes on tea to curb its consumption. The English society, during this period, had developed a fascination for tea consumption, so much so, that it had upset the balance of payments of Great Britain. This fascination for tea had also spread to America.

When the three ships of the East India Company loaded with tea anchored in Boston harbour in November-December,1773, the rebellious colonists opposing high taxes entered the ships disguised as 'indigenous/red Indians' and overthrew the chests of tea into the sea to show their resentment. Appalled by this show of rebellion, the British Parliament decided to punish the colonists.

It ordered for the closure of Boston harbour until the colonists 'repaid the East India Company for all the tea lost' (ibid). It, furthermore, abrogated the charter of the Massachusetts Bay Company and appointed its own Governor to administer the colony. Very soon, the British Parliament went further to disarm all the colonists.

In retaliation to these Intolerable Acts of the Parliament, the thirteen (13) British colonies came together, and it was decided by their Second Continental Congress to recruit patriot militias and form the Continental Army. The war between the colonists and the Crown ensued from 1776 to

1783. The colonies got the support of the French and the Spanish governments. France provided them their army and navy in their fight against the British. The colonists finally defeated the British and with the Treaty of Paris in 1783, Britain acknowledged the independence of the United States of America.

V. The Industrial Revolution (1760 to 1840) and the USA

In its earlier phase of development, the USA was mainly an agriculture and mineral producing country. The Industrial Revolution in Great Britain had a big impact on the country. Technological innovation was soon introduced in cloth manufacturing in 1785 by the Beverly Cotton Manufactory. The USA soon pioneered the manufacture of 'interchangeable industrial parts' that could be more easily assembled. This innovation reduced the cost of production significantly.

Production of steel also started using the latest technological innovation. The Carnegie Steel Company was set up in 1892, which prepared the ground for mass production of manufactured goods. The moving and assembly line pioneered by the Ford Motor Company subsequently revolutionised production in other industries. 'By 1913 the US produced one-third of the world's industrial output, more than Britain, France and Germany' (Wikipedia, 2026).

VI. American Civil War (1861-1865) and Abolition of Slavery

The American Civil War was a clash of interests between the industrializing northern states and the agricultural southern states. At the centre of this divide was the question of 'slavery'. While recognising the fundamental rights of citizens, the Constitution of the USA - that was adopted in 1789 - did not extend these rights to the (African) slave labour. While the northern states favoured abolition of slavery and wanted the Constitution to be amended, the southern states opposed it.

By the Homestead Act of 1862, moreover, every American citizen was given the right to own 160 acres of land towards the sparsely habited western regions of America. Citizens could buy land by paying to the government at the rate of 1.2 dollars per acre. The southern states, dominated by the large planters, wanted this vast cultivable land to be given to them instead as they planned to cultivate these lands with the help of African slaves.

The USA thus got divided politically between the Northern Union of States and the Southern Confederation of States. The Southern Confederation finally attacked the Northern Union, which led to a four-year civil war. It led to several million deaths. Eventually, the Northern Union won, and by the 13th Amendment of the Constitution, 'slavery' in the USA was abolished in 1865.

Abolition of 'slavery' led to a free functioning labour force comprising the erstwhile African slave labour. It accelerated expansion of railroad in the wild west of the USA. California on the West Coast, got linked to the urban centres on the East Coast of America. New York in the East got linked to San Francisco in the West. The travel time and freight transportation between the two cities was reduced from six days to six hours.

Development in transportation provided a further push to industrialization and to expansion of the domestic market. 'The annualised welfare and efficiency gains from ending slavery even outweighed the physical destruction of the civil war, creating one of the largest single leaps in economic surplus in the US history' (Google, AI Overview, 2026).

VII. Gilded Age and Rise of Monopoly Capital (1870 - 1900)

The period between 1848 to 1855 is famous as 'the Gold Rush' due to the discovery of gold mines in the California region. Allured by this discovery, people migrated to this region in large numbers. This led to further expansion on the western coast. It had, however, devastating impact on the indigenous population who were forced out of their territories.

With the coming of railroad, a good many towns also grew up. Since railroad owners came to acquire vast areas of land in this region, they benefited greatly from this acquisition. The business tycoon Cornelius Vanderbilt besides controlling massive railroad business also controlled steamships lines. One of his managers Andrew Carnegie soon set up the first steel plant in the USA.

Since infrastructure development of all kinds are dependent on steel, there was great demand for iron and steel. Very soon he came to rival in wealth his earlier employer. Carnegie went ahead and set up interconnected manufacturing plants linked to steel production. He thus came to acquire iron ore and coal mines besides shipping lines necessary for transportation of goods.

Yet another big business tycoon of this period was John D. Rockefeller who concentrated on oil refineries and made huge profits, quite often resorting to bribes and other dubious means. One common strategy adopted by all these big names was to destroy their competitors and monopolize the business. They could then charge higher (monopoly) price from their consumers.

Furthermore, since there did not exist any regulation regarding either working hours or a minimum wage, they reaped higher profits by keeping wages low with long working hours. Moreover, In the absence of either personal or corporate income tax, all the profits remained with them, The wealth of these business tycoons thus increased manifold over the years.

The rich could now display their wealth that rivalled the wealth of the aristocrats in Europe. This period, however, exhibited great inequality in the society as the majority of the population as workers toiled under the pressure of long hours and low wages. it is for this reason that despite high growth in the US economy, this period has been called 'the Gilded Age' and not 'a Golden Age'.

The story of Gilded Age will remain incomplete if we miss out yet another big tycoon of this Age, namely JP Morgan. He belonged to a well-connected family of financial investors. He came to dominate the banking sector in the US. His business model was that of 'a holding company', which controlled a number of companies under a single umbrella. In the absence of government regulation, the rate of interest on bank loans could be as high as 50%. Since there were few competitors to JP Morgan, his holding company also reaped monopoly profits.

A large fertile land, rich mineral resources, a long coastline combined with intermittently high commodity price of both agricultural and mineral products further contributed to increase in economic surplus in the growing U.S. economy. Attracted by high returns, foreign investments added to this pool, both by way of loans to enterprises and investments in stocks. This, however, led to overproduction in numerous sectors with inventories piling up in the beginning of 1890s.

The Great Depression of 1893.

The rapid railroad expansion was based on large financial borrowings. In the absence of adequate returns, they were unable to repay their debts. This

adversely impacted the banking sector. As the prices of both agricultural products and minerals also fell, this further aggravated the situation. With increasing number of transportation, manufacturing, and other companies failing, business confidence was shaken and the stock prices fell. Retrenchments followed in the wake of the depression that began in 1893 and lasted until 1897. Unemployment soared creating a very difficult situation for the workers.

Since the US was on bimetallic currency system during this period, the value of dollar was equated to both silver and gold in fixed ratios. Because of oversupply of silver, the price of silver fell. This meant a fall in dollar value when converted into silver. The investors (domestic and foreign), therefore, sought protection by converting dollar into gold. This led to rapid fall in the gold reserves of USA, even below the psychological safety threshold of $100 million (Google, 2026).

With the fear of the government's inability to maintain dollar-gold parity, the people flocked to withdraw their dollar deposits in the banks. The banks were unable to meet the demands of their creditors all at once. In the face of bank failures, credit was no more available to the real economy. The government had at last to step in. It negotiated a $65 million bond deal with the banking syndicate led by JP Morgan, restoring confidence in the gold standard.

VIII. Conclusion

The later pattern of economic development in the USA may be traced to the dominance of large corporates witnessed during 'the Gilded Age'. As the domestic market grew, the large US companies looked for ensured supply of raw materials. This led them to bring territories and countries as far as Panama (Columbia) in1846, Honduras in 1859, Cuba in 1898, Virgin Islands in 1898, Puerto Rico in 1898, Philippines in 1899, Guam in 1898 and Mexico in 1916 under their implicit or explicit control (Katz, 2021).

There is no denying that the US played an important role in dismantling the hold of Spain on Latin American countries in Soth America as well as the global dominance of Great Britain. It also seemed to favour multilateralism in preference to unilateralism. The commercial interests of large companies, however, have dominated the government policy in the US. When required, the US has not been shy of using force. Despite many

commendable achievements and contributions of the US society, the use of superior force by its government to achieve the commercial objectives of large multi-national companies has made some scholars characterize the US economy as a ‘military industrial complex’.

References

Katz, Jonathan, M. (2021), *Gangsters of Capitalism: Sydney Butler, the marines and the making and breaking of America’s Empire*, St. Martin’s Publishing Group, New York.

Google (2026), *AI Overview*, Dated 26th October 2026.

Winkler, Adam (2018), *We the Corporations*, Liveright Publishing Corporation, New York.