

# 3 The Rise of Big Business

## TERMS & NAMES

robber baron  
corporation  
John D. Rockefeller  
Andrew Carnegie  
monopoly  
trust  
philanthropist  
Gilded Age

## MAIN IDEA

Business leaders guided industrial expansion and created new ways of doing business.

## WHY IT MATTERS NOW

These leaders developed the modern corporation, which dominates business today.

## ONE AMERICAN'S STORY

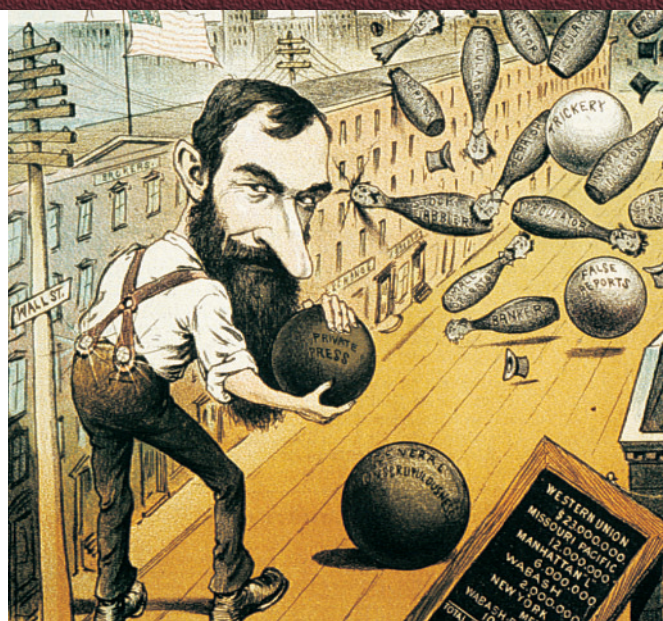
In 1853, when Jay Gould was 17, he visited New York. Big-city wealth impressed Gould. After returning to his small hometown, he told a friend, "Crosby, I'm going to be rich. I've seen enough to realize what can be accomplished by means of riches, and I tell you I'm going to be rich."

"What's your plan?" his friend asked.

"I have no immediate plan," Gould replied. "I only see the goal. Plans must be formed along the way."

Gould achieved his goal. By the time he died in 1892, he was worth \$77 million. He made a lot of his money using methods that are illegal today—such as bribing officials and selling fake stock. Most of his deals involved railroads, including the Union Pacific.

Jay Gould was a robber baron. A **robber baron** was a business leader who became wealthy through dishonest methods. This section discusses other business leaders and their companies.



Jay Gould used methods such as trickery and false reports to "bowl over" his competition.

## The Growth of Corporations

Until the late 1800s, most businesses were owned directly by one person or by a few partners. Then advances in technology made many business owners want to buy new equipment. One way to raise money to do so was to turn their businesses into corporations. A **corporation** is a business owned by investors who buy part of the company through shares of stock. A corporation has advantages over a privately owned business:

1. By selling stock, a corporation can raise large amounts of money.
2. A corporation has a special legal status and continues to exist after its founders die. Banks are more likely to lend a corporation money.
3. A corporation limits the risks to its investors, who do not have to pay off the corporation's debts.

In the late 1800s, few laws regulated corporations. This led to the growth of a few giant corporations that dominated American industry. The oil and steel industries are examples of this process.

## The Oil and Steel Industries

As Section 1 explained, the oil and steel industries began to grow in the late 1800s. Two men dominated these industries. **John D. Rockefeller** led the oil industry, and **Andrew Carnegie** controlled the steel industry.

John D. Rockefeller built his first refinery in 1863. He decided that the best way to make money was to put his competitors out of business. A company that wipes out its competitors and controls an industry is a **monopoly**. Rockefeller bought other refineries. He made secret deals with railroads to carry his oil at a lower rate than his competitors' oil. He also built and purchased his own pipelines to carry oil.

Rockefeller's most famous move to end competition was to develop the trust in 1882. A **trust** is a legal body created to hold stock in many companies, often in the same industry. Rockefeller persuaded other oil companies to join his Standard Oil Trust. By 1880, the trust controlled 95 percent of all oil refining in the United States—and was able to set a high price for oil. The public had to pay that price because they couldn't buy oil from anyone else. As head of Standard Oil, Rockefeller earned millions of dollars. He also gained a reputation as a ruthless robber baron.

Businessmen in other industries began to follow Rockefeller's example. Trusts were formed in the sugar, cottonseed oil, and lead-mining industries. Many people felt that these monopolies were unfair and hurt the economy. But the government was slow to regulate them.

Rockefeller tried to control all the companies in his industry. By contrast, Andrew Carnegie tried to beat his competition in the steel industry

### Vocabulary

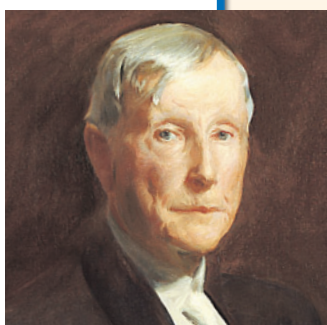
**refinery:** a plant that purifies oil

### ReadingHistory

#### A. Analyzing Points of View

Why do you think people thought monopolies were unfair?

## AMERICA'S HISTORY MAKERS



### JOHN D. ROCKEFELLER 1839–1937

John D. Rockefeller was born to a poor family in upstate New York. From his mother, he learned the habit of frugality—he avoided unnecessary spending. “Willful waste makes woeful want” was a saying that

Rockefeller's mother passed down to him.

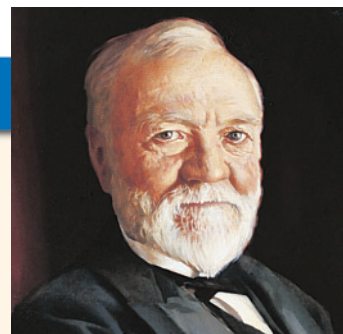
By 1897, he had made millions and millions of dollars. Instead of keeping all that vast fortune for himself and his family, he spent the rest of his life donating money to several worthy causes.

### ANDREW CARNEGIE 1835–1919

When Andrew Carnegie was 12, he and his family moved from Scotland to Pennsylvania. Carnegie's first job was in a cotton mill.

Later he worked in a telegraph office. There he was noticed by a railroad superintendent, who hired Carnegie as his assistant. Carnegie learned not only about running a big business but also about investing money. Eventually, he quit to start his own business.

Despite his fortune, Carnegie once wrote that none of his earnings gave him as much happiness as his first week's pay.



**Compare the characters of Rockefeller and Carnegie. What do you think made each of them successful?**

by making the best and cheapest product. To do so, he sought to control all the processes related to the manufacture of steel. He bought the mines that supplied his iron ore, and the ships and railroads that carried that ore to his mills. Carnegie's company dominated the U.S. steel industry from 1889 to 1901, when he sold it to J.P. Morgan, the nation's most prominent banker.

Rockefeller and Carnegie were multimillionaires. They also were both **philanthropists**, people who give large sums of money to charities. Rockefeller donated money to the University of Chicago and Rockefeller University in New York. Carnegie also gave money to universities, and he built hundreds of public libraries. During his life, Rockefeller gave away more than \$500 million. Carnegie gave away more than \$350 million.

### ReadingHistory

#### B. Contrasting

How did the methods that Carnegie and Rockefeller used to eliminate competition differ?

## The Gilded Age

The rags-to-riches stories of people such as Rockefeller and Carnegie inspired many Americans to believe that they too could grow rich. Stories like theirs also inspired writer Horatio Alger. He wrote popular stories about poor boys who worked hard and became quite successful.

Inspiring as these stories were, they hid an important truth. Most people who made millions of dollars had not been raised in poverty. Many belonged to the upper classes and had attended college. Most began their careers with the advantage of money or family connections.

For the rich, the late 1800s was a time of fabulous wealth. Writers Mark Twain and Charles Warner named the era the **Gilded Age**. To

### HISTORY throughART

Artist Eastman Johnson painted this portrait of Alfredrick Smith Hatch's family, one of the wealthiest families in America, in 1870–1871. It shows the family in their New York mansion. Notice the expensive furnishings.

Photographer Jessie Tarbox Beals shot this photograph of a poor family in a tenement in 1910. A tenement is an apartment house that is usually rundown and overcrowded. This family probably had only this tiny space.

**How do these two images reflect continuity and change in American life during the Gilded Age?**



**Vocabulary**  
**gold leaf:** gold that has been pounded into thin sheets

gild is to coat an object with gold leaf. Gilded decorations were popular during the era. But the name has a deeper meaning. Just as gold leaf can disguise an object of lesser value, so did the wealth of a few people mask society's problems, including corrupt politics and widespread poverty.

## The South Remains Agricultural

One region that knew great poverty was the South. The Civil War had left the South in ruins. Industry did grow in some Southern areas, such as Birmingham, Alabama. Founded in 1871, Birmingham developed as an iron- and steel-producing town. In addition, cotton mills opened from southern Virginia to Alabama. Compared with the Northern economy, however, the Southern economy grew very slowly after the war.

Most of the South remained agricultural. As you have read, many Southern landowners rented their land to sharecroppers who paid a large portion of their crops as rent. Often sharecroppers had to buy their seed and tools on credit. The price of cotton, the South's main crop, was very low. Sharecroppers made little money from selling cotton and had difficulty paying what they owed. And because most sharecroppers had little education, merchants cheated them, increasing their debt.

### A VOICE FROM THE PAST

My father once kept an account . . . of the things he "took up" at the store as well as the storekeeper. When the accounts were footed [added] up at the end of the year the thing became serious. The storekeeper had \$150 more against my father than appeared on the latter's book. . . . It is by this means that [sharecroppers] are swindled and kept forever in debt.

**T. Thomas Fortune**, testimony to a Senate committee, 1883

### ReadingHistory

#### C. Making

**Inferences** What is Fortune implying about the storekeeper?

At the same time that sharecroppers struggled to break free of debt, workers in the industrial North also faced injustices. In the next section, you will learn how labor unions tried to fight back.

## Section 3 Assessment

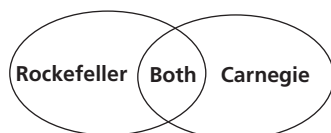
### 1. Terms & Names

**Explain the significance of:**

- robber baron
- corporation
- John D. Rockefeller
- Andrew Carnegie
- monopoly
- trust
- philanthropist
- Gilded Age

### 2. Taking Notes

Use a Venn diagram like the one shown to compare and contrast Rockefeller and Carnegie.



Whose business methods do you agree with more?

### 3. Main Ideas

- Why did the number of corporations grow in the late 1800s?
- Who is an example of a robber baron? Why?
- Why was the South so much less industrial than the North?

### 4. Critical Thinking

**Forming and Supporting Opinions** Do you think that wealthy people have a duty to become philanthropists? Explain your opinion.

#### THINK ABOUT

- Carnegie and Rockefeller
- how most wealthy people gain their money
- the differences between the rich and the poor

### ACTIVITY OPTIONS

**MATH**  
**SPEECH**

In your local or school library, look up the business cycle. Create a **graph** of the cycle for the last century or prepare an **oral report** to Congress on the trends.