

GIANTS OF EARLY US INDUSTRIALIZATION

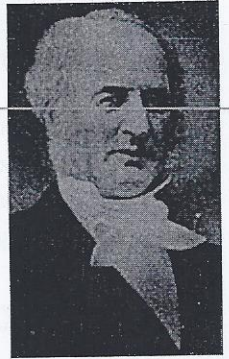
With industrialization came new opportunities and chances to make money. It was during this period that a handful of Americans became extremely wealthy as entrepreneurs (people who start businesses). They forever changed US business.

THE RAILROAD INDUSTRY

The railroad industry was the first to take off in the years following the Civil War. Railroads made life out west possible by allowing farmers, ranchers, and other settlers access to eastern markets and resources. They also made it easier for people to move west and populate territories at a rapid rate.

A few men got rich developing the railroad industry. Because some of them were known to be crooked in their dealings, they collectively came to be called “**robber barons**” (a name that soon came to be identified with wealthy entrepreneurs in other industries as well).

One key figure in the railroad industry was **Cornelius Vanderbilt**. In 1869, he extended his New York Central railroad to reach Chicago, Illinois. Travelers could go from New York to Chicago without having to transfer trains multiple times. This greatly helped the railroad industry by making travel faster and much easier for passengers and businesses shipping goods.

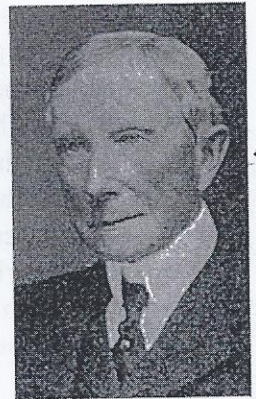


Cornelius Vanderbilt

OIL

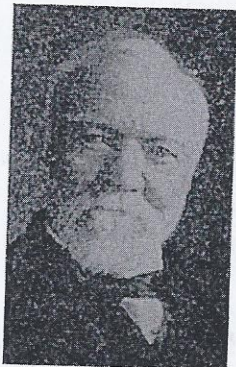
John D. Rockefeller became one of the nation’s richest and most powerful businessmen. Rockefeller’s company, **Standard Oil**, was the nation’s first **trust**. A trust is a business arrangement under which a number of companies unite into one system. In effect, trusts serve to destroy competition and create **monopolies** (a market in which there is only one supplier of a product and no market competition).

Through the trust, Rockefeller was able to dictate prices, eliminate competition, and control the US oil industry. Much of Rockefeller’s success was due to his masterful use of vertical integration (a business strategy in which one corporation owns not only the company that produces the finished product but also the companies that provide the materials necessary for production). Rather than pay other producers to supply the materials he needed, Rockefeller’s company made what it needed itself (i.e., its own barrels, cans, and so on). In the words of Rockefeller, he was determined to “pay nobody a profit.”



John D. Rockefeller

STEEL



Andrew Carnegie

In the late 1850s, a man named Sir Henry Bessemer developed a new method for making steel known as the Bessemer process. Using this process, manufacturers could make steel much cheaper than ever before. Increased production of steel meant faster expansion of railroads and more construction of buildings. Steel became very important to the nation's economy.

Andrew Carnegie came to control this industry. Like Rockefeller, Carnegie used vertical integration. He owned not only the steel mills but also the necessary iron ore, coal mines, railroads, and ships used for transporting supplies. In this way, Carnegie was able to form a monopoly.

Carnegie was also a great philanthropist (someone who gives money to public/charitable causes) who gave much of his wealth to finance public projects. Citing what he referred to as the "Gospel of Wealth," Carnegie believed that it was the responsibility of the wealthy to make sure their money was put to good use serving others rather than being spent on frivolous pursuits.

FINANCE CAPITALISM

With the expansion of US business came a new kind of business leader—the finance capitalist. These were bankers who exerted economic influence through companies' stocks and bonds. The most powerful and influential of the early finance capitalists was **J. P. Morgan**. Morgan eventually exercised control over banks, insurance companies, and various stock market operations. By 1913, Morgan and his associates had assets of over twenty-two billion dollars! The amount was equal to three times the estimated value of all the real estate in New York City at the time. Morgan was so rich that he eventually bought out Carnegie's steel company to form a new company—US Steel. He paid Carnegie nearly five hundred million dollars, making Carnegie the richest man in the world. Carnegie later commented, "I should have asked for more," to which Morgan casually responded, "I'd have paid it."



J. P. Morgan