

Background Essay: The Rise of Big Business

Directions:

Read the essay and answer the review questions at the end.

After the Civil War, the American economy was characterized by the rise of big business. Technological innovations made mass production in manufacturing possible. Transportation and communication revolutions developed national markets for goods. Large-scale companies grew as the scale and scope of modern business increased dramatically. While the rise of big business was controversial and led to increasing government regulation, the American economy grew rapidly and became the world's largest industrial economy with widespread benefits.

The American constitutional system greatly contributed to the growth of the post-war economy. While the federal government had often encouraged economic growth of the private market by providing land grants, a banking system, and various subsidies, the American economy was generally a system of free enterprise largely unfettered by government restraints and characterized by self-regulating markets. A constitutional rule of law protected private property and patents, allowed entrepreneurs to fail and start over again with bankruptcy law, and enforced contracts. Therefore, entrepreneurs with talent, motivation, and good fortune had the freedom to innovate and opportunity to succeed.

The late nineteenth century experienced rapid expansion of railroad mileage across the country, linking farmers, raw materials, factories, and consumers in a market economy. Railroads

provided faster, cheaper, and more reliable transportation. In addition, railroads became the first corporations that provided a model for the rise of big business. They raised huge amounts of capital through the sale of stock, built new bureaucratic management to organize increasingly complex operations across wide geographical areas, and stimulated demand for other heavy industries such as coal, iron, and steel.

Big business grew in the late nineteenth century when new sources of power such as the steam engine, coal, and electricity drove the machines in larger factories that organized production under one roof. Companies could now mass produce standardized goods faster and more efficiently. Companies employed thousands of workers in factories often in urban areas. These large companies followed the railroad model and incorporated as public companies which then sold shares of ownership as stock. Therefore, ownership became increasingly divorced from management. A large bureaucracy of managers sought rational, efficient operations, while central offices analyzed operations and made strategic decisions for the firm.

The rise of big business caused great controversy. The late nineteenth century experienced a long-term decline of prices known as deflation. Companies struggled to make profits in this fiercely competitive environment. As a result, they formed “pools” or “trade associations” that were informal agreements to

cooperate in the fixing of prices and allocating business so that members were all profitable. Since these agreements were voluntary, they were not legally binding and were often broken by members. Eventually, big business formed “trusts,” a type of business consolidation that would more formally create a single holding company for the stocks of several leading businesses in an industry. This new, powerful company would be able to exercise a great deal of control over price and output decisions for the entire industry. The size of these businesses gave them an advantage over smaller competitors because they closed less efficient plants and cut costs with new technologies. Businesses grew in size and dominated entire industries as monopolies or oligarchies. Many American reformers, consumers, and businessmen feared the trusts would destroy competition in the American economy and exercise disproportionate political influence.

Whereas reformers worried about the threat to the American free-enterprise and democratic political system, industrialists argued that they were saving the system from ruinous competition through economies of scale. For example, Andrew Carnegie, who worked in a mill as a young man, mastered telegraph technology, and then worked for the Pennsylvania railroad. With money from investments, he became an entrepreneur in iron and steel for railroad bridges and rails. He founded Carnegie Steel and relentlessly introduced any new process or technological innovation that would cut even minute wasteful costs in order to lower the price of his steel. Carnegie also frequently invested millions of dollars in profits back into the latest technology instead of distributing them as dividends to investors. In addition, Carnegie Steel vertically integrated, which

was the process of acquiring sources of raw materials and the railroads that transported the raw materials to the factories to eliminate the costs of middlemen. As a result, Carnegie helped contribute to the lowering of the price of a ton of steel rails from over \$100 in the 1860s down to \$11 by 1900. He sold Carnegie Steel to banker J.P. Morgan in 1901 for \$480 million and became a philanthropist.

Another highly successful entrepreneur of the late nineteenth century was John D. Rockefeller who built Standard Oil. When large amounts of crude oil were discovered in northwest Pennsylvania in 1859, the young bookkeeper decided to enter the refining industry to manufacture kerosene and other byproducts such as lubricating oil and gasoline. Like Carnegie, Rockefeller invested in new technology and modified any process such as making his own oil barrels and reducing the number of solder drops on tin can seals to lower costs. Besides vertical integration, Rockefeller engaged in horizontal integration, which meant buying out competitors to control a greater share of the industry. Standard Oil was a remarkably efficient firm with strong economies of scale that led to reducing the price of oil for consumers and other industries while preserving large profits for the company.

Standard Oil controlled approximately 90% of the oil industry by 1900 through fair and unfair business practices, and drew criticism of big business. Rockefeller entered into voluntary agreements with competitors and set their production quotas to his liking. He induced competitors to sell their businesses by threatening to put them out of business, though he usually offered a generous price in cash or valuable company stock. Standard Oil also forced rebates from railroads that lowered

shipping costs for its oil while guaranteeing a large, fixed amount of traffic for the railroads in a mutually beneficial arrangement. In addition, Standard Oil routinely engaged in bribes to local politicians or state legislators to win favorable treatment and block government regulation. As a result, the company became a symbol of the danger of trusts in the popular imagination, and competitors warned of its monopolistic practices. The investigative journalist Ida Tarbell wrote a scathing exposé of the company entitled the *History of the Standard Oil Company*. Although trusts often engaged in fair and beneficial practices to consumers and the economy as a whole, the industrialists were often seen as “robber barons,” who became immensely wealthy through corruption and mistreating workers, competitors, and the public.

The rise of big business was highly controversial especially among smaller competitors. Many small and local businesses could not compete with the lower prices of large corporations that resulted from greater efficiency or railroad rebates. These small businesses often either went bankrupt or were bought out. Representatives of small business, politicians, and ordinary Americans feared that corporations threatened free markets, and therefore the American Dream, with monopolistic control. On the other hand, many small businesses thrived when they decided to either produce a niche product or target a local market rather than directly competing with those companies that dominated the industry. For example, several Pittsburgh steel mills specialized in making nails, nuts and bolts, and barbed wire that Carnegie Steel had no interest in producing.

The success of mass production in the late nineteenth century led to the rise of mass

marketing to sell goods. Companies began to market their goods with name brands to differentiate them on shelves. Indeed, stores themselves changed dramatically from practical dry-goods stores to attractive urban department stores and chain stores. Department stores offered a shopping experience with wondrous and dazzling displays for consumers, and chain stores such as the A&P offered reliable, standardized products. Advertisements flooded newspapers and influenced buying decisions by glamorizing goods. In rural areas, farmers became consumers of goods by shopping in Sears, Roebuck, and Montgomery Ward mail-order catalogs. The wealthy in the Gilded Age demonstrated their social status with gaudy displays of wealth known as “conspicuous consumption.” Culture for the middle class began to reflect consumerism rather than the virtues of Victorian character.

Although many were tempted to display their great wealth to impress others, entrepreneurs also dedicated much of their wealth to philanthropy. Some like Carnegie and Rockefeller had hundreds of millions of dollars when most Americans struggled to make a few hundred dollars per year. Concerned about American civic culture and the condition of the masses, they gave millions of dollars away to universities, libraries, museums, medical research, and urban beautification projects to educate and uplift the condition of their fellow Americans. They also endowed large foundations that would continue to donate millions of dollars to causes ranging from world peace to eradicating disease. Many of the entrepreneurs felt the imperatives of the “Gospel of Wealth” that great wealth brought a social responsibility to create a better society. However, critics then and now argued that the industrialists’ philanthropy was a just a ploy to

forestall government regulation, maintain social control over the masses through the public spaces, and preserve inequalities of wealth by keeping the system in place rather than reforming it.

The convulsions in the American economy and problem of the trusts led to many calls for reform. Farmers, small business, and Progressive reformers sought government regulation of railroads and industry, though some with a more radical view wanted socialist government ownership. Surprisingly, businessmen were often at the forefront of reforms including government regulation. Ruinous competitive pressures in the market made them seek relief in the form of government regulation that might preserve profitability. The regulations led to the rise of the national regulatory state with executive agencies that acted as a broker among different social interests.

Government regulation began with the Interstate Commerce Act (1887) and the Sherman Antitrust Act (1890). The Interstate Commerce Act targeted railroad rebates by prohibiting rate discrimination and was generally supported by the railroads. Railroads sought relief from competitive pressures that forced prices downward, and the businesses that demanded that they give rebates. They thought the law would help to rationalize the industry. Railroads also supported measures in the Progressive Era including the Elkins Act (1903) that prohibited rebates and the Hepburn Act (1906) that created a commission that set “reasonable” rates rather than the market. During World War I, the federal government took over the railroads to ensure efficient mobilization for war. These regulatory measures had the support of an angry American populace, but none solved the problems of the railroad industry including

competitive pressures that drove prices and profitability down.

The Commerce Clause in Article I, section 8 of the Constitution granted Congress authority to regulate interstate trade. Congress used this authority to pass the regulations of the Sherman Anti-Trust Act (1890), which banned “every ... combination ... in restraint of trade or commerce among the several states.” However, the legislation was written vaguely and satisfied neither its supporters nor its opponents. In *U.S. v E.C. Knight* (1895), the Supreme Court decided that the “sugar trust” that controlled 90 percent of the industry did not violate the Sherman Act because there was no evidence that the trust controlled prices. The Court also decided the trust’s activity was rooted in manufacturing, and therefore did not restrain interstate commerce and could not be regulated.

Presidents Theodore Roosevelt, William Howard Taft, and Woodrow Wilson sought various regulatory agencies to control the trusts and often prosecuted the trusts in federal court. President Theodore Roosevelt became known as a “trust-buster.” This nickname proved especially true for the dissolution of the 1904 Northern Securities Company by the Court for violating the Sherman Act. However, his successor William Howard Taft prosecuted more trusts, including Rockefeller’s Standard Oil. In 1911, the Court articulated the “rule of reason” in breaking up the Standard Oil Company when it decided that immense size was not always a problem and that not all restraints of trade were unreasonable or illegal. In other words, it distinguished between “good” and “bad” trusts based upon behavior. President Woodrow Wilson signed the Clayton Act (1914) into law enumerating illegal antitrust activities and empowering another executive agency, the Federal Trade Commission,

to enforce its provisions. Neither railroad nor business regulation solved the problems of big business nor were they wholly satisfactory to nearly any interest group with a stake in regulation. Ironically, World War I saw the close cooperation of government and business in order to achieve greater efficiency in industrial production for war. This established a precedent of a very close government-business relationship that would influence later New Deal reforms during the Great Depression.

The rise of big business during the industrial age dramatically reshaped the American economy and society. Although many of the changes benefitted Americans and resulted in greater prosperity, the debate over regulating business would endure throughout the twentieth century particularly during the convulsions of the Great Depression.

REVIEW QUESTIONS

1. How did railroads contribute to the rise of the modern corporation?
2. What were the characteristics of the modern corporation?
3. Why were trusts formed? Why did many Americans oppose them?
4. How was small business affected by the rise of big business?
5. How were goods mass-marketed?
6. Why did the wealthy industrialists engage in philanthropy?
7. What was the response of Congress, the Supreme Court, and presidents to the rise of big business?

Rise of Big Business Radio Interview Role-Play

Directions:

For those with **Big Business Roles**: With your group members, read the biographical sketch on your assigned figure who contributed to the rise of big business. Prepare to answer questions from the interviewer and audience members.

For those with **Interviewer Roles**: With your group members, prepare a list of questions for the figures who contributed to the rise of big business. After asking your own questions, invite audience participants to contribute their own questions.

For the **audience**: Prepare your own questions for the figures who contributed to the rise of big business. Suggested topics:

- The character of the business figure
- The contribution of the business figure to the rise of big business
- General economic and social questions from the time period

Rise of Big Business Role-Play Nametags

Cyrus McCormick & Western Agriculture

Thomas Alva Edison &
Technological Inventions

James J. Hill & the Railroads

Andrew Carnegie & the Steel Industry

John D. Rockefeller & the Oil Industry

Jay Gould & American Finance

J.P. Morgan & American Finance

Interviewer

Cyrus McCormick & Western Agriculture

“In the open spaces of the American Midwest, old Northwest, and Great Plains lay a potential wealth equal to that of the cotton fields in the South. Three keys were needed to unlock this bonanza: people, transportation, and machines. Immigration supplied the first, railroads and canals the second, American manufacturing the last. The mechanical harvester, the machine that most facilitated the transformation of these open spaces into a cornucopia, emerged from a farm workshop in the Shenandoah valley....

Cyrus [McCormick], who often helped his father in the shop and early demonstrated an inventive knack of his own, took up the task. He fashioned a reaper that operated successfully on a neighboring farm during the harvest of 1831....[and] Cyrus McCormick returned to the workshop to improve his reaper. In 1834, satisfied that he had perfected it to a point of marketability, McCormick received a patent for his machine....McCormick sold two machines in 1840, but his claims of perfection proved premature when both failed. Consequently, he withdrew from the market in 1841 to spend a year in the workshop, getting the bugs out of the mechanism. In 1842 he reentered the market and sold six; in 1843, twenty-nine....Since reaper marketing demanded extensive personal contact, McCormick gradually relied more on a far-flung network of salesmen, on the company's reputation....

Production rose from 1,500 in 1849 to 4,500 in 1858 to 8,000 in 1868....By 1858 Cyrus McCormick was a millionaire; when he died in 1882 he was a millionaire ten times over.... Cyrus McCormick was born into a world where farmers harvested their grain crops as they had since time immemorial; when he died in 1882

the mechanical reaper was in use around the world...He and his competitors had converted the American prairies from open space to the breadbasket that fed the United States and much of Europe. In some ways his firm, which did so much to modernize the American agricultural economy, remained an anachronism at his death, stranded half-way between traditional family management and modern bureaucratic control.”

Harold C. Livesay, *American Made: Men Who Shaped the American Economy* (Boston: Little, Brown, 1979), 53-84.

Thomas Alva Edison & Technological Inventions

“As technological advancements broke the shackles that had limited transportation and communication to the velocity of wind and water and accelerated them to the speed of sound and light, most Americans rejoiced and called it progress. Fundamental to this change and to the expansion of manufacturing capacity, was a two-stage revolution in the ways by which man converted potential energy to power... in the second, electricity and the internal combustion engine took over....Spending all of his pocket money on chemicals, bottles, and other apparatus, Edison [carried out experiments].Soon mastering the rudiments of the craft, Edison...began an eight-year career as a ‘boomer,’ an itinerant [telegraph operator].... Edison devised an apparatus to record [voices] instantaneously....

By 1876, Edison's combined labors as inventor and manufacturer brought him solvency and modest wealth....When he first began to manufacture light bulbs, for example, they cost \$1.40 each to produce, but Edison priced them at 40 cents, knowing that volume production would soon bring costs down....

Edison moved his equipment and his staff to the hamlet of Menlo Park, New Jersey...At the Menlo Park laboratory, Edison institutionalized his role as creative inventor, establishing what amounted to an invention factory....The phonograph, which Edison and his helpers constructed late in 1877, exemplified Edison's dedication to the profit motive. The talking machine excited the public imagination....The invention of the incandescent electric light, which brought Edison enduring, worldwide fame, resulted from his belief that electricity could be harnessed to tasks other than communication.... During Edison's lifetime, and partially because of his work, applied science became a permanent component of American manufacturing."

Harold C. Livesay, *American Made: Men Who Shaped the American Economy* (Boston: Little, Brown, 1979), 127-156.

James J. Hill & the Railroads

"James J. Hill was building a transcontinental [railroad] from St. Paul to Seattle with no federal aid whatsoever. Also, Hill's road was the best built, the least corrupt, the most popular, and the only transcontinental never to go bankrupt. It took longer to build than the others, but Hill used this time to get the shortest route on the best grade with the least curvature. In doing so, he attracted settlement and trade by cutting costs for passengers and freight....

To Hill, the Northwest was an opportunity to develop America's last frontier. Where some saw deserts and mountains, Hill had a vision of farms and cities. [Others] might build a few swanky hotels and health spas, but Hill wanted to settle the land and develop the resources....Hill wanted to build a railroad to develop the region, and then to prosper with it....

As Hill built his railroad across the Northwest, he followed a consistent strategy. First, he always built slowly and developed the export of the area before he moved farther west. In the Great Plains this export was wheat....He knew that if farmers prospered, their freight would give him steady returns every year. The key was to get people to come to the Northwest....Hill would tell the immigrants, "but we are in the same boat with you, and we have got to prosper with you or we have got to be poor with you."....

With the *E.C. Knight* case the law of the land, Hill saw no problem when he created the Northern Security Company in 1901....Hill was therefore disappointed when President Theodore Roosevelt urged the Supreme Court to strike down the Northern Securities under the Sherman Act. [Roosevelt] called the Northern Securities a 'very arrogant corporation' and Hill a 'trust magnate, who attempts to do what the law forbids.'....In 1904, in a landmark case, the Supreme Court decided five to four against the Northern Securities. It had to be dissolved. [Justice] Harlan continued with a devastating statement: 'The mere existence of such a combination...constitutes a menace to, and a restraint upon, that freedom of commerce which Congress [in the 1890 Sherman Antitrust Act] intended to recognize and protect, and which the public is entitled to have protected.'"

Burton W. Folsom, Jr., *The Myth of the Robber Barons: A New Look at the Rise of Big Business in America, Seventh Edition* (Herndon, VA: Young America's Foundation, 2013), 17-39.

Andrew Carnegie & the Steel Industry

"At the bobbin factory, young Carnegie demonstrated many of the qualities that would

carry him to the top: reliability, a willingness to work hard, an ability to perceive opportunities and to make the most of them....The telegraph office thus served as an informal but effective schools of commerce and business methods.... Distinguishing himself by coming early, staying late, and sweeping out the office when he had no messages to deliver, Andy soon garnered the rewards of virtue. His salary rose from \$2.50 to \$3.00 a week. The company promoted him.... Carnegie spent twelve years on the Pennsylvania Railroad...His railroad service shaped the rest of his business life: on the railroad he assimilated the managerial skills, grasped the economic principles, and cemented the personal relationships to become successively manager, capitalist, and entrepreneur....

Steel also offered a unique opportunity to utilize his manifold talents and connections. Always in touch with developments in the railroad industry, Carnegie knew that railroads would soon replace iron rails with steel.... Once costs were known, Carnegie set about mercilessly beating them down while getting production up....When new technology appeared, Carnegie scrapped his existing equipment, striving always for machinery that could handle bigger batches and handle them faster, regardless of initial cost....He hired a chemist to determine which ores to feed to which furnaces; he built open-hearth furnaces; he bought mines and quarries and coke smelters to supply raw material, and railroads to haul them to the mills; he refused to fix prices, meanwhile undercutting his competitors, and buying many of them out; when the railroad market declined, he shifted some of his capacity to the rolling of structural beams and angles such as those used in the Brooklyn Bridge....

As volume rose, costs fell, and profits soared. The first ton of Carnegie steel cost \$56 to produce; by 1900 the cost was down to \$11.50. In 1888 the firm made 2 million dollars; in 1894, 4 million dollars; in 1900, 40 million dollars.... So Carnegie retired to a life of philanthropy and promotion of peace. Looking back on his career, he could savor many triumphs: his rise to wealth through hard work and shrewd investment.”

Harold C. Livesay, *American Made: Men Who Shaped the American Economy* (Boston: Little, Brown, 1979), 87-125.

John D. Rockefeller & the Oil Industry

“[Rockefeller] began to work at age sixteen as an assistant bookkeeper for 50 cents per day. On the job Rockefeller had a fixation for honest business....it won him the confidence of many Cleveland businessmen; at age nineteen Rockefeller went into the grain shipping business on Lake Erie and soon began dealing in thousands of dollars....The discovery of large quantities of crude oil in northwest Pennsylvania soon changed the lives of millions of Americans....Cleveland was a mere hundred miles from the oil region, and Rockefeller was fascinated with the prospects of refining oil into kerosene....

By 1863 he was talking oil with Samuel Andrews and two years later they built a refinery together. Two things about the oil industry, however, bother Rockefeller right from the start: the appalling waste and the fluctuating prices....He believed the path to success was to cut waste and produce the best product at the lowest price. Sam Andrews, his partner, worked on getting more kerosene per barrel of crude. Both men searched for uses for the by-products:

they used the gasoline for fuel, some of the tars for paving, and shipping the naphtha to gas plants. They also sold lubricating oil, Vaseline, and paraffin for making candles....Another area of savings came from rebates from railroads.....all wanted to ship oil and were willing to give discounts, or rebates to large shippers....As the larger oil refiner in America, Rockefeller was in a good position to save money for himself and for the railroad as well. He promised to ship 60 carloads of oil daily....Many of Rockefeller's competitors condemned him for receiving such large rebates....

From 1865 to 1870, the price of kerosene dropped from 58 to 26 cents per gallon. Rockefeller made profits during every one of these years, but most of Cleveland's refiners disappeared....By the 1870s, with the drop in the price of kerosene, middle and working class people all over the nation could afford the one cent an hour that it cost to light their homes at night....He tried to integrate Standard Oil vertically and horizontally by getting dozens of other refiners to join him. Rockefeller bought their plants and talent; he gave the owners cash or stock in Standard Oil....During the 1870s, the price of kerosene dropped from 26 to eight cents a gallon and Rockefeller captured about 90 percent of the American market...Rockefeller never wanted to oust all of his rivals, just the ones who were wasteful....The Supreme Court struck [his trust] down in 1911 and forced Standard Oil to break up into separate state companies with separate boards of directors.

Before he died, he had given away about \$550,000,000."

Burton W. Folsom, Jr., *The Myth of the Robber Barons: A New Look at the Rise of Big Business in America, Seventh Edition* (Herndon, VA: Young America's Foundation, 2013), 83-100.

Jay Gould & American Finance

"Jay talked a blacksmith into boarding him in exchange for keeping the man's books....With many others of that era he gravitated to New York City as the epicenter of industrializing America....after the founding in 1817 of what became the New York Stock Exchange, the cockpit of the American economy shifted to Manhattan....[Gould engaged in a] fight with Vanderbilt for control of the Erie Railroad... during that battle [Gould] gained a national reputation as one of the most audacious, and least principled, speculators in the land....

In 1869 he attempted the most breathtaking speculative operation in the history of American finance: a corner of the gold market....'The gold on the indicator [rose] to 160. Just a moment later, and before the echoes died away, gold fell to 138'....Gould had managed to unload most of his gold, but the stock plunge that the gold gyrations had set in motion left him illiquid [lacking ready cash]....Many people were certain that Gould owed them money, but at the close of business on that Black Friday, and for weeks thereafter, no one could sort out all the intricacies of who owed what to whom....

Gould entered a period of comparatively constructive activities. He invested heavily in stock of the Union Pacific Railroad, the first transcontinental line but one that suffered from poor management and flimsy financing... His administrative economies, investments in improvements to track and rolling stock, and well-timed takeovers of feeder and competing lines pushed the price of Union Pacific shares up by one hundred percent....Even while expanding his railroad interests—eventually he controlled nearly 9,000 miles of road centered on the Missouri Pacific, as well as Manhattan Elevated Railway—Gould diversified. He purchased the

New York World and a majority share in Western Union Telegraph Company.”

H.W. Brands, *Masters of Enterprise: Giants of American Business from John Jacob Astor and J.P. Morgan to Bill Gates and Oprah Winfrey* (New York: Free Press, 1999), 37-49.

J.P. Morgan & American Finance

“In 1857, [Morgan] joined the Wall Street house of Duncan, Sherman & Company, the American agents of the Peabody firm of which his father was a partner....As soon as the Civil War broke out Morgan recognized the immense, if risky, opportunities that awaited businessmen of dash and daring...J. Pierpont Morgan & Company, which opened its doors for business in 1862, ascended [quickly]...

in 1864 the twenty-seven-year-old Morgan made more than \$50,000....In 1871 he joined forces with the Drexel firm of Philadelphia, created the financial house of Drexel, Morgan & Company, headquartered at the corner of Wall and Broad streets in New York. Almost immediately Morgan became recognized as the leading light in one of the most influential financial firms in the country. His income matched his influence: During the 1870s he regularly earned more than half a million dollars per year. Much of Morgan’s income derived from his efforts on behalf of the nation’s principal railroads....In 1879, when he organized a successful stock offering of \$18 million for William Vanderbilt’s New York Central Railroad, his commission constituted a sizable part of his income that year....

With many other businessmen of his day Morgan found excessive competition distressing. It entailed duplication of effort, he believed,

undermined economies of scale and wasted resources that might be more profitably employed....In 1893 British investors, spooked by political uncertainties in various parts of the world, began pulling their funds out of the American market; the exodus of sterling provoked a panic on Wall Street. Stock prices plunged; banks collapsed; businesses of all sorts foundered.....[Morgan went to Washington to strike a deal with President Cleveland.] As soon as the news broke of the Morgan-Cleveland deal, pressure on the dollar diminished. Gold stopped pouring out of the treasury and began flowing back in as investors once more preferred interest-paying bonds.....

With the help of Louise Carnegie and Charlie Schwab he bought Carnegie out. The mega-corporation that resulted, U.S. Steel, was the largest combine in the world, capitalized at \$1.4 billion.....[In 1901] he brokered a peace accord [between Andrew Carnegie and Charles Schwab] by means of the creation of the Northern Securities Corporation, a huge firm that promised to do for the rail industry in the northwestern quadrant of the United States what the steel trust was doing for the steel industry—namely, subordinate competition for stability and profits....

[In 1907] another panic gripped Wall Street, conjuring up the grim specter of a depression like that of the previous decade. Ruin was ultimately averted—but only after a temporarily chastened Roosevelt did what Cleveland had done in the 1890s: turn to Morgan for relief.”

H.W. Brands, *Masters of Enterprise: Giants of American Business from John Jacob Astor and J.P. Morgan to Bill Gates and Oprah Winfrey* (New York: Free Press, 1999), 64-79.

Big Business Social Media Feed

Directions:

Using **Handout A** and conducting additional research as directed by your teacher, develop at least three social media characters to engage in an exchange of at least five posts each with responses. All characters must respond to each post. The postings and responses should be in character as if they were living in the Gilded Age.

Sample Characters

- An industrialist such as Andrew Carnegie or John Rockefeller
- A small business owner with a factory in a city
- A reformer such as Ida Tarbell with a negative view of big business
- A president such as Theodore Roosevelt, William Howard Taft, or Woodrow Wilson
- An ordinary American such as a worker, farmer, or consumer

Sample Topics

- The impact of factories, railroads, and big business on society and the economy
- The mass production and mass marketing of goods and falling prices
- Opportunity and the American Dream with the rise of big business
- Wealth inequality and philanthropic projects by the great industrialists
- Reformer criticism of big business practices
- Government regulation of business, Supreme Court decisions, and free markets

Business and Advertising in the Gilded Age

Directions:

For each of the following advertisements, answer the following questions:

1. What images do you see?
2. What symbolism does the artist employ?
3. What is being sold?
4. How is the advertisement trying to make a connection to some desirable attribute in order to persuade a consumer to buy the product?



Wesson Oil, 1919

Pierce-Arrow



AT THE OPERA

THE PIERCE-ARROW MOTOR CAR COMPANY, BUFFALO, N. Y.

Pierce-Arrow, 1911



Cream of Wheat, 1917

WATERMAN'S

IDEAL FOUNTAIN PEN

THE DAWN OF PEN SATISFACTION.

FOR examinations, class-room notes and home study, a good fountain pen is the source of continuous satisfaction. It is one of those necessary pocket acquisitions that is always useful and leads to better work. Waterman's Ideals are made of the best materials and on a scientific basis. The wide range of styles, sizes and pen points makes possible the purchase of a style which will be permanently satisfactory.

FROM ALL DEALERS

LOOK FOR THE GLOBE TRADE-MARK; IT IS OUR GUARANTEE

S. I. Waterman & Co., 173 Broadway, N.Y.

8 School St., Boston 209 State St., Chicago

742 Market St., San Francisco 136 St. James St., Montreal 12 Golden Lane, London 6 Rue de Hanovre Paris

Waterman Fountain Pen, 1909

Jack O'Connor

Manager of the St. Louis Americans, a cat on his feet, a glutton for work and full of aggressiveness when he was a player, and now one of the quickest thinkers and most daring and aggressive managers in the league,

DRINKS

Coca-Cola

And no wonder he likes Coca-Cola, he's like Coca-Cola—full of vim, vigor and go. You'll like it—it's

Delicious—Refreshing—Thirst-Quenching

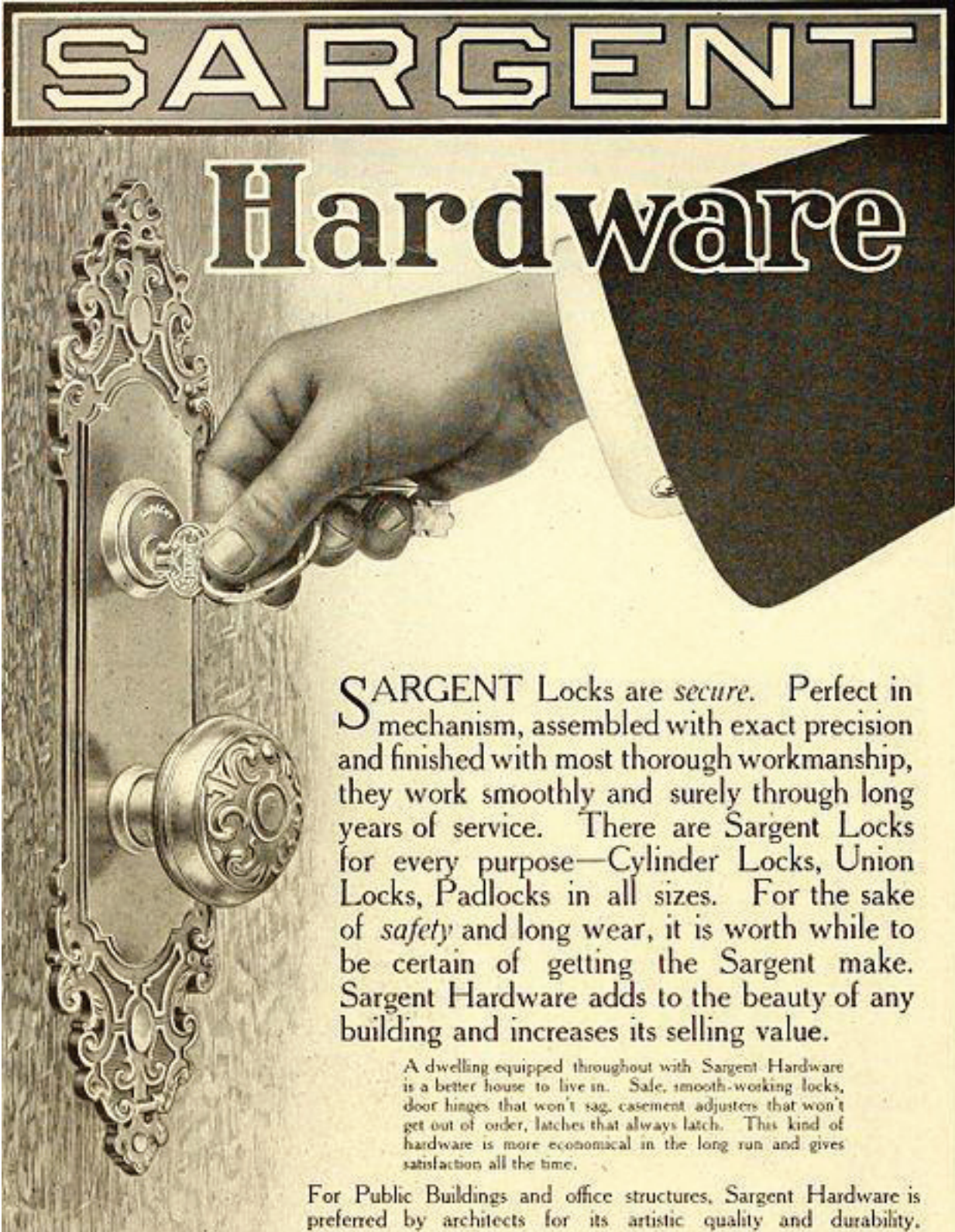
5c Everywhere

Send 2c stamp for our booklet "The Truth About Coca-Cola" and the Coca-Cola Baseball Record Book for 1910. The latter contains the famous poem "Casey at the Bat," records, schedules for both leagues and other valuable baseball information compiled by authorities.

THE COCA-COLA CO.
Atlanta, Ga.

Whenever you see an Arrow think of Coca-Cola

Coca-Cola, 1910



SARGENT

Hardware

SARGENT Locks are *secure*. Perfect in mechanism, assembled with exact precision and finished with most thorough workmanship, they work smoothly and surely through long years of service. There are Sargent Locks for every purpose—Cylinder Locks, Union Locks, Padlocks in all sizes. For the sake of *safety* and long wear, it is worth while to be certain of getting the Sargent make. Sargent Hardware adds to the beauty of any building and increases its selling value.

A dwelling equipped throughout with Sargent Hardware is a better house to live in. Safe, smooth-working locks, door hinges that won't sag, casement adjusters that won't get out of order, latches that always latch. This kind of hardware is more economical in the long run and gives satisfaction all the time.

For Public Buildings and office structures, Sargent Hardware is preferred by architects for its artistic quality and durability.

Sargent Hardware, 1911

Big Business and Philanthropy

Introduction: *From the Gilded Age to the present, wealthy company owners have made philanthropic contributions to improve society by donating millions or billions of dollars.*

Directions:

With the other group members, read the following statements from Andrew Carnegie and Bill Gates. Next, compare and contrast the philanthropic concerns of these two great business leaders and philanthropists within the context of their respective eras. Be prepared to report back to the class on your group discussion.

Education

Andrew Carnegie, “The Best Fields for Philanthropy,” North American Review, 1889

“Standing apart by itself, there is the founding of a university by men enormously rich....If any millionaire is at a loss to know how to accomplish great and indisputable good with his surplus, here is a field which can never be fully occupied, for the wants of our universities increase with the development of the country.”

Bill Gates, speech to the American Federation of Teachers, July 10, 2010

We have made public schools our top priority in the United States, because we believe -- as you do -- that nothing is more important for America's youth, and nothing means more for the future of the country....

There is a new understanding that school reform must include teacher partnership. If reforms aren't shaped by teachers' knowledge and experience, they're not going to succeed....

There is an expanding body of evidence that says the single most decisive factor in student achievement is excellent teaching....

Great teaching is the centerpiece of a strong education; everything else revolves around it. This is the main finding of our foundation's work in education over the past ten years.”

Public Health and the Eradication of Disease

Andrew Carnegie, “The Best Fields for Philanthropy,” North American Review, 1889

“We have another most important department in which great sums can be worthily used—the founding or extension of hospitals, medical colleges, laboratories, and other institutions connected with the alleviation of human suffering, and especially with the prevention rather than the cure of human ills.”

Bill Gates, 2010 International AIDS Conference

“This is a challenge we all face. But it does not need to define our time. I am here today because, when it comes to the fight against AIDS, I am still an optimist.

The past 10 years are a time of remarkable progress. Today more than 5 million people

are receiving antiretroviral treatment, up from fewer than half a million just six years ago. Since 2001, the rate of new HIV infections has fallen 17 percent.

Those of you in this room helped make this progress possible. The scientists made progress on new tools to fight the disease. The community workers and clinicians drove prevention campaigns. The advocates argued for more funding – and the world responded by adding money for this cause faster than any other health problem in history. The Global Fund has been a fantastic vehicle for making sure this funding helps the people who have the greatest need.”

Public Libraries

Andrew Carnegie, “The Best Fields for Philanthropy,” North American Review, 1889

“The result of my own study of the question, What is the best gift which can be given to a

community? Is that a free library occupies the first place, provided the community will accept and maintain it as a public institution, as much a part of the city property as its public schools, and, indeed, an adjunct to these....We shall have no antagonism between classes when that day comes, for the high and the low, the rich and the poor, shall then indeed be brothers.”

Bill Gates, speech to the National Urban League, July 27, 2011

“If some people have the latest advances others don’t, it aggravates inequality, and makes things worse. When Melinda and I started to see the outlines of the digital divide, we established a library program to help confront it. We worked with all 50 states and wired 11,000 public libraries with computers and internet access. By the time we were done – if you could get to a public library in America, you could get on the Internet.”