

Wealth and Power in the Industrial Age

5.02

Getting the Idea

Industrial expansion changed America after the Civil War. Railroads, oil, and steel turned the United States into a highly industrialized nation. Industrialists bought up small companies and merged them into large, national corporations. The profits of growing industry soared as industry became increasingly concentrated in the hands of the few. Mark Twain called this period the Gilded Age because a small class of people made fortunes and created a lavish way of life with their wealth.

Work Methods for Success

Entrepreneurship

John D. Rockefeller In 1865, John D. Rockefeller invested in an oil-refining company. Oil refining was a fiercely competitive industry. To ensure his company's survival, Rockefeller tried to drive all competitors out of business. In 1870, when Rockefeller organized the Standard Oil Company, he had 200 competitors. Ten years later, Standard Oil refined 90 percent of U.S. oil.

Rockefeller crushed his competitors by these means:

- ★ He persuaded railroads to give Standard Oil **rebates**—that is, they returned to the company a portion of their shipping charges. Rockefeller was then able to charge the lowest prices for oil.
- ★ Rockefeller offered to buy struggling competitors.
- ★ To eliminate railroad shipping charges, Rockefeller built pipelines to carry his oil from one place to another.

Andrew Carnegie Andrew Carnegie, a poor immigrant from Scotland, at first worked in a cotton mill. He then got a job working for the pres-

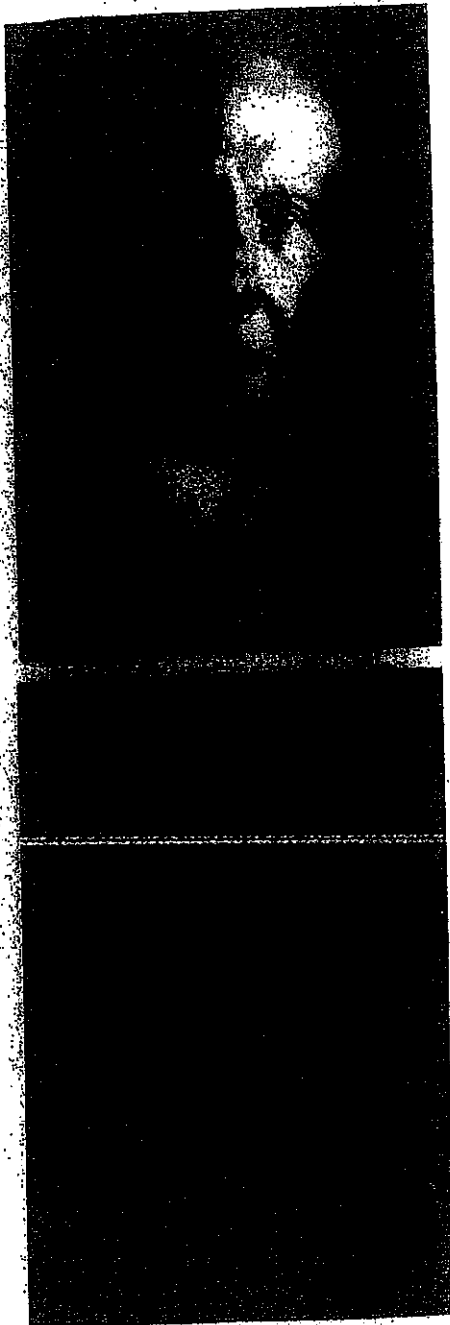
ident of the Pennsylvania Railroad and invested his savings in railroad sleeping cars, iron mill, and steel. By the 1870s, he owned his own steel company. He paid low wages, drove hard bargains with railroads over their shipping prices, and tried to bankrupt competitors. In 1901, his steel company was worth nearly \$500 million.

Work Ethic

When the Pilgrims and Puritans arrived here from England in the early 1600s, they brought with them the tradition of the **work ethic**. It was founded on the teachings of John Calvin, including **predestination**, the belief that every person's afterlife had been determined before birth. Hard work and material success were signs that a person was predestined for a good afterlife. Two Americans who helped solidify this tradition were:

- ★ *Cotton Mather*. A Puritan minister of Boston's North Church, Mather preached and wrote about the importance of a strong work ethic.
- ★ *Horatio Alger*. In the post-Civil War era, Alger wrote popular books for young people in which poor boys, by hard work and lucky breaks, rose from rags to riches (like Andrew Carnegie).

John D. Rockefeller (top) and Andrew Carnegie



Public Good Versus Private Gain

Carnegie and Rockefeller made their industries the biggest and most productive ever. They took huge risks with no guarantee of success. As **philanthropists**, both made huge donations for libraries, schools, hospitals, and other institutions. For their achievements, they were called "captains of industry."

Carnegie, Rockefeller, and other business leaders of their time were also known as "robber barons." They paid low wages, did not tolerate strikes, and used every available means—including secret agreements with railroads and temporary price cuts—to put competitors out of business.

Business Practices and Controls

Government Practices

Laissez-Faire as Government Policy The U.S. government observed laissez-faire in protecting and encouraging businesses. It applied the Fourteenth Amendment's provision that no state may "deprive any person of life, liberty, or property without due process of law" to corporations. Thus, they enjoyed the same protections as individuals and won favorable rulings in many judicial decisions.

Business Practices

Pooling Railroad lines that had once cut fares to attract business, began to engage in **pooling**; that is, different lines secretly agreed to charge the same high fares. They also shared profits and divided up their once-competitive market. One railroad often had a monopoly on lines servicing small towns and could thus charge higher prices for short trips from one town to another than for longer trips between cities.

Competition and Consolidation

Mergers During the 1870s and 1880s, competition declined as businesses formed **mergers** by joining together as monopolies.

Trusts Rockefeller created a supercorporation called a **trust**. After nearly ruining competitors, he let them exchange their company stock for trust certificates and share in the trust's profits. Other business leaders followed his example, and soon there was a steel trust, a tobacco trust, a sugar-refining trust, and so on.

Holding Companies In the 1890s, corporations were formed that had only one function—to hold the stocks of several businesses in the same industry. By controlling a majority of each com-

★ Objectives

- ★ To compare and contrast the different groups of people who migrated to the West and describe the problems they experienced. [Competency Goal 4, Objective 4.01]
- ★ To evaluate the impact settlement in the West had upon different groups of people and the environment. [Competency Goal 4, Objective 4.02]
- ★ To evaluate the influence of immigration and rapid industrialization on urban life. [Competency Goal 4, Objective 4.04]
- ★ To understand the impact of industrialization and urbanization on American life.
- ★ To trace how industrialization changed the role of women.
- ★ To appreciate how immigrants contributed to American life in a pluralistic society.
- ★ To understand how Western settlement affected Native Americans.

Urban Growth

In the late 1800s, millions of people—native-born Americans from rural areas, freed slaves seeking to escape social and economic bondage in the South, and immigrants from Europe and Asia—flocked to Eastern and Midwestern cities.

Attractions of Urban Life

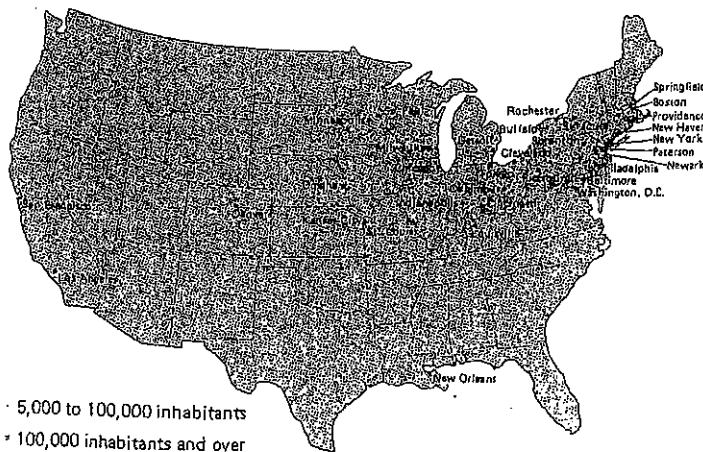
Jobs Industrialists built factories near transportation centers such as railroad terminals and steamship ports. Workers moved near these hubs to get factory jobs. Near the factories, **entrepreneurs** (business investors) rented housing to the workers and opened shops to supply their needs. As city populations increased, so did the variety of goods and services available there.

Public Education City schools were larger, better-equipped, and offered more complete courses of

study than rural schools. To serve growing populations, cities raised money for new elementary schools and high schools. Between 1865 and 1900, elementary school enrollments more than doubled. The number of U.S. high schools rose from about 400 in 1860 to more than 6,000 in 1900. Schools also improved in quality as more teachers received professional training.

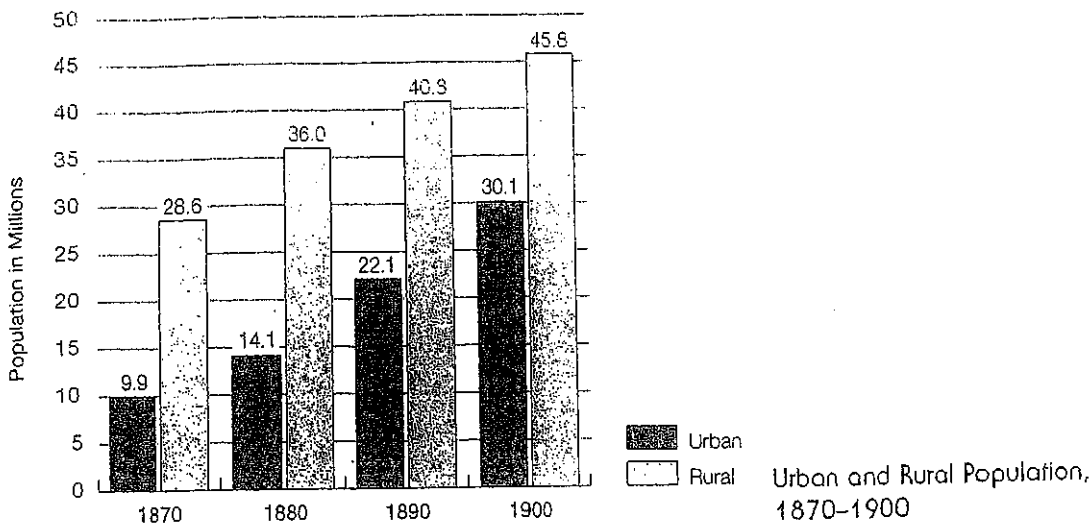
Earlier educators had concentrated on teaching reading, writing, and arithmetic. After 1900, however, occupational training and citizenship education were considered equally important.

Culture Urban cultural resources—libraries, museums, and concert halls—enriched the education of city children. Moreover, urban life offered a variety of cultural experiences. For example, in the late 1800s, as now, New Yorkers had their choice of restaurants, theaters, beaches and parks, sporting events, and amusement centers.



Urban United States, 1900

- 5,000 to 100,000 inhabitants
- 100,000 inhabitants and over



Urban Problems

Slums As disadvantaged people crowded into cities, they could afford to live only in **slums**—poor neighborhoods with crowded streets and run-down buildings.

Increased Crime Poverty encouraged crime. As cities grew, so did the number of murders, burglaries, and robberies. Tenement youths organized rival gangs.

Inadequate Water and Sanitation Cities dumped sewage into rivers and lakes that provided drinking water. As a result, there were frequent outbreaks of typhoid fever, transmitted by polluted water. Lacking bathtubs and running water, tenement dwellers could not keep clean. Factory smokestacks polluted the air. Horse droppings fouled the streets.

New Urban Architecture

Skyscrapers and Elevators The invention of electric elevators made it possible to erect higher buildings. The first skyscraper, built in Chicago in 1884, was ten stories high.

Tenements The tenements that dotted the slums were cheaply constructed buildings five or six stories high, without elevators. They were breeding grounds for vermin and disease, and built so closely together that fire could spread through an entire neighborhood in minutes.

Social Classes

Social Darwinism A British biologist, Charles Darwin, advanced the theory that lower forms of life evolved into higher forms as the result of an ongoing struggle for survival. The survivors were the “fittest” of the species. British philosopher Herbert Spencer adapted this theory as **social Darwinism**: It is for the good of society that the strongest and most efficient businesses survive while weaker ones die out. In Spencer’s words: “The American economy is controlled for the benefit of all by a natural aristocracy . . . brought to the top by a competitive struggle that weeded out the weak, incompetent, and unfit and selected the wise and able.”

Class Divisions

- ★ *Working-class hardship.* A laborer’s wages seldom covered family expenses, so wife and children also had to work. Paid lower wages than men, they sometimes had more job security than men, particularly during an economic depression.
- ★ *Middle-class contentment.* The middle class had sufficient income to live in modest comfort. After the Civil War, the middle class included shopkeepers, well-educated professionals (doctors, lawyers, teachers, and so on), and office workers. The middle class tended to be conservative—patriotic, politely mannered, and affiliated with Protestant church congregations.
- ★ *Upper-class display and philanthropy.* In the late 1800s—the so-called Gilded Age—the fam-

Poverty in America

Unit 3: History of Poverty

Wealth and Power in the Industrial Age

Question Articles

1. List three characteristics about John D. Rockefeller.
2. List three characteristics about Andrew Carnegie.
3. Define work ethic. How do John Calvin, Cotton Mather, and Horatio Alger fit into the concept of work ethic?
4. What are philanthropists?
5. Why were Carnegie and Rockefeller both “captains of industry” and “robber barrons”?
6. What is laissez-faire? Who did it help? Do we have this kind of economy today? Why or why not? Who is being helped today?

