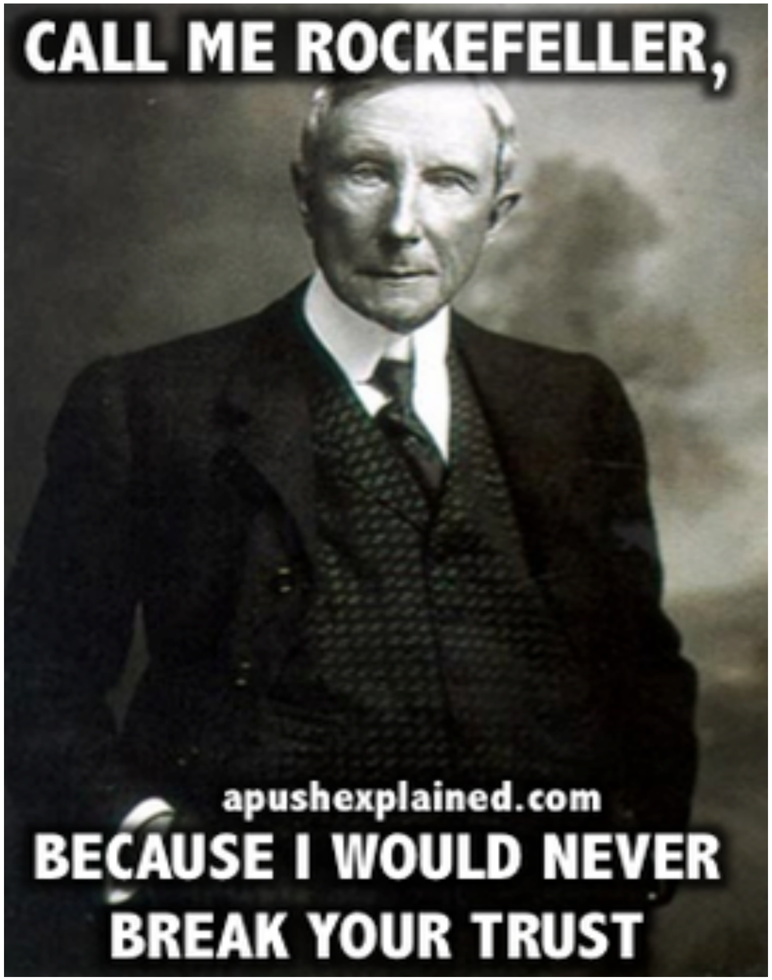
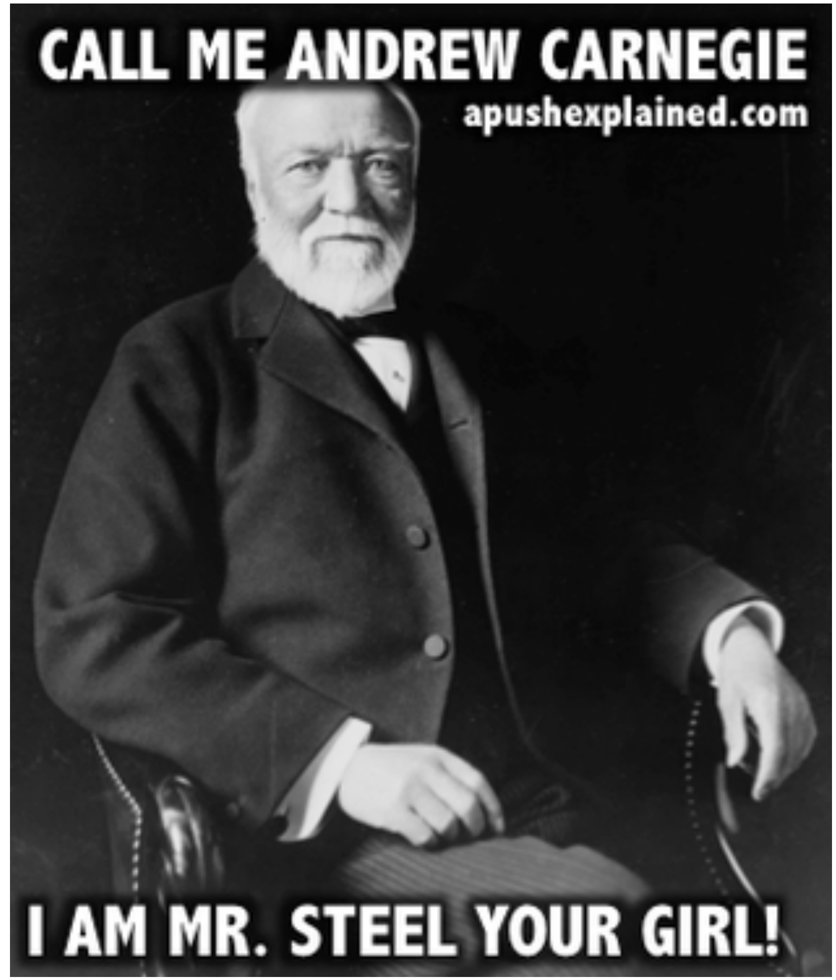
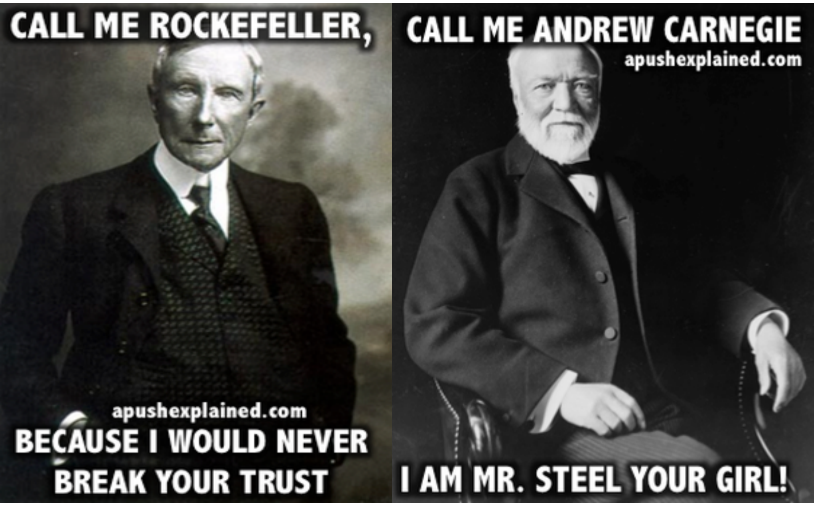
SSUSH11: EXAMINE CONNECTIONS BETWEEN THE RISE OF BIG BUSINESS, THE GROWTH OF LABOR UNIONS, AND TECHNOLOGICAL INNOVATIONS.





ELEMENT B: Examine the significance of John D. Rockefeller and Andrew Carnegie in the rise of trusts.

Post-Bellum Big Business Monopolization

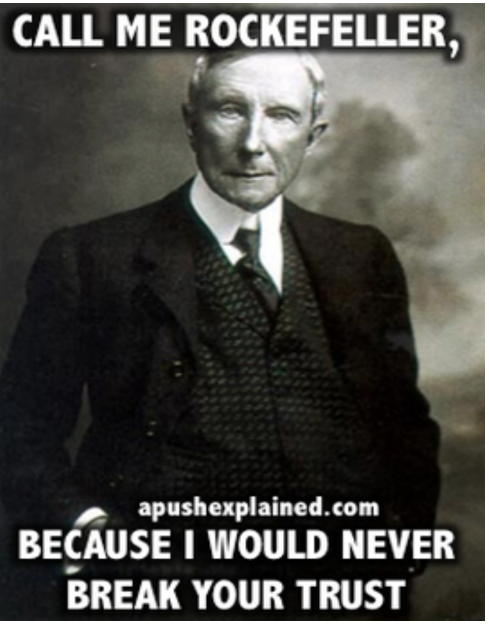


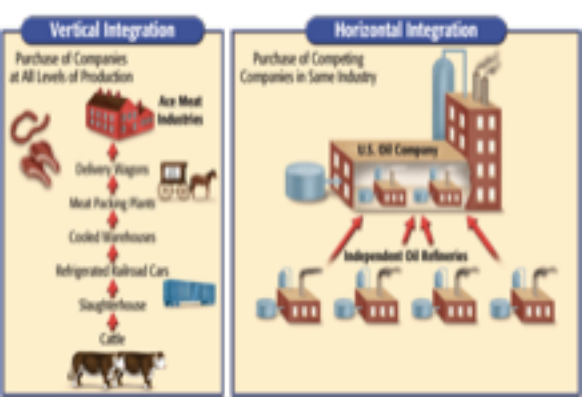
- The period after the Civil War was a time when businesses sought to maximize their profits by combining competing corporations into a single entity.
    - These large consolidated companies were able to control prices, production, and sales and also able to establish a monopoly.
    - There are several individuals from this era who are known for the monopolies they created. These include John D. Rockefeller (Standard Oil) and Andrew Carnegie (Carnegie Steel).
        - Others of the period include Cornelius Vanderbilt (Railroads), Jay Gould (Railroads), and J.P. Morgan (banking and finance).

"Our 'infant' industries --
Why can't they be content with the half they make honestly?"
by Udo Keppler, 1900

Rockefeller and Standard Oil

- John D. Rockefeller was known for his economy, precision, and foresight in creating one of America's landmark corporations - Standard Oil.
  - After obtaining a degree in business, Rockefeller started out as a bookkeeper and clerk in a wholesale grain and produce business in Cleveland, Ohio in 1855.
    - His diligence and hard work won him great admiration. His idea of thrift gave him the capital to start his own wholesale grain business in the early 1860s.
    - However, Rockefeller soon realized that the growth of agriculture in the upper Mississippi Valley would eclipse Cleveland's role in grain sales and foresaw Cleveland's location could serve as a clearinghouse for raw materials. The newest commodity gaining popularity and usage was oil.
  - In 1863, Rockefeller entered the oil refining business.
    - Oil had been discovered in Pennsylvania in 1859. In order for the oil to be used, it needed to be refined into a distilled spirit - kerosene.
    - Rockefeller began by developing a business that transported petroleum products.
    - Rockefeller sought to cut his costs by creating his own barrel-making factory. He also cut costs by buying forestland for the wood to make the barrels and horses and wagons to transport the petroleum products to market. His practice is what is known today as vertical integration. This creates a business that consists of all elements of production from raw material to sale of the finished product. As a result, profits can be maximized by cutting costs of production.

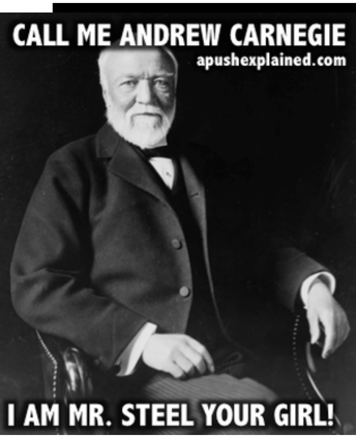




Rockefeller's Standard Oil & Monopoly or Trust

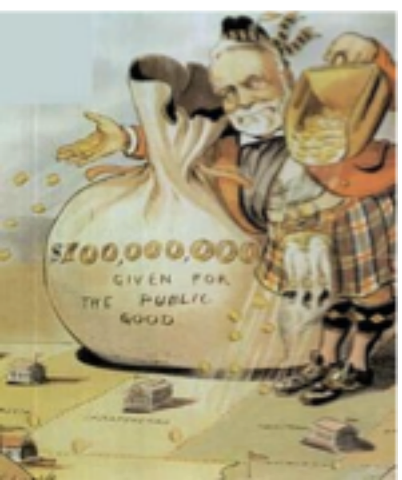
- In 1870, Rockefeller created Standard Oil.
  - Rockefeller began to buy up inefficient refineries and closed those that were too expensive to renovate and improved those that showed promise.
    - When railroads proved inefficient for his needs, he built a pipeline from the oil field to the refinery.
    - By 1879, Rockefeller and Standard Oil controlled 90% of the refining capacity in the United States.
- In 1882, Rockefeller combined his many companies into the Standard Oil Trust.
  - The trust enabled Standard Oil to monopolize all aspects of the oil industry from production to marketing.
- With a monopoly or trust, the competition has been eliminated in the market.
  - No competition means a business owner can set any price they want for the goods they are selling.
  - A monopoly or trust is good for the business owner but harmful to consumers who pay higher prices.

Rockefeller's Standard Oil & Monopoly or Trust



- Another successful big business owner of the late 19th century was Andrew Carnegie.
  - As a boy, his family immigrated to the United States from Scotland. The family worked hard to barely scrape by as they settled in Pennsylvania. Andrew began working in a textile mill at age thirteen. He later began working in the railroad industry and progressed through the ranks to superintendent of the Pennsylvania Railroad. With good investments, his wealth began to build.

- By the 1860s, Carnegie had moved to the ironworks industry. The Carnegie Steel Company used the latest technology of the Bessemer process to forge steel more efficiently.
  - The increased production of steel and the use of vertical integration allowed Andrew Carnegie to amass the first billion dollar company. Carnegie's use of vertical integration is similar to that of J.D. Rockefeller.
  - He controlled the entire production process from resource to finished product, which included mining the raw materials, industrial production of steel, and transportation for both resources and finished products.



- A feature that distinguishes Andrew Carnegie from other big business entrepreneurs is the level of philanthropy he supported with his wealth. The others certainly contributed huge sums to charity but it was Andrew Carnegie that made a mark with his investments in society.
  - He was devoted to educational opportunities for the masses - not just the wealthy. To this end, Carnegie funded over 3,000 libraries across the United States. In addition, he gave millions of dollars to finance higher education universities in the United States and in Scotland. At the time of his death, Carnegie had given over $350 million to charitable causes. The value of his charitable donations today would be in the billions of dollars.

Maximize Profits!

- The rise of both J.D. Rockefeller and Andrew Carnegie as powerful and wealthy entrepreneurs is attributed to their skillful and shrewd business dealings.
  - They were able to successfully maximize their profits by cutting costs in production through the practice of vertical integration.
  - They also limited their competition by forming monopolies. The monopolies they created in the oil and steel industries allowed them to control the prices of their goods; thus keeping them as high as possible.
  - There was limited competition in the market to undercut their prices. The fortunes they amassed were often at the expense of small business owners and consumers. While society benefitted from their charitable investments, many people were also hurt by their business methods.