Name:_____ Date:_____ Social Studies 8

CAPTAINS OF INDUSTRY OR ROBBER BARONS?

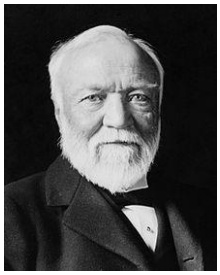
Over the course of the late 1800s, entrepreneurs like Cornelius Vanderbilt, Andrew Carnegie, John D. Rockefeller and J.P. Morgan helped to shape the growth of American industry. Some people saw them as Captains of Industry because they were inventive, hardworking and led the way in the rise of American business. Others saw them as Robber Barons because they were ruthless and self-centered entrepreneurs whose aggressive business practices destroyed the smaller competitors and drove many companies out of business.

Cornelius Vanderbilt

Captain of Industry (HERO)	Robber Baron (VILLAIN)
• Helped develop Grand Central Station • Allowed businesses to easily ship goods E → W • Philanthropist - Donated $$ to Colleges/Universities - Contributed to L.I. mansions built during the "Gilded Age".	• Secret Rebates given to "best" customers. Refused customers from other railroads. • Drove competitors out of business by slashing prices. • Consolidated smaller railroads to control most of the industry

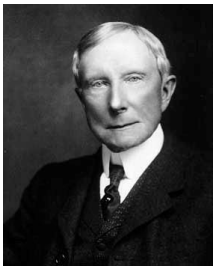
Cornelius Vanderbilt gained control of most of the railroad industry. He offered rebates to customers and refused service for people traveling on competing railroad lines. He lowered the rates on his railroad in order to gain more business. He drove competing railroad companies out of business and bought up their railroad lines. Small railroads were swallowed up by Vanderbilt's massive corporation. Vanderbilt led the drive for **consolidation** and gained control of most of the railroad business. Vanderbilt also tried to "corner", or completely control, the stock in the *Erie Railroad Company*, leading to a dispute between railroad millionaires. He encouraged these battles because he usually won and benefitted. His control of the New York railroad system led to the development of what is now Grand Central Station, and one of the nation's first giant corporations, *N.Y. Central & Hudson River Railroad.* Vanderbilt also used his money to help others. He donated money to colleges and universities and helped to develop churches. He lived modestly, but his children built a number of mansions (many on Long Island), which came to symbolize what was known as the "Gilded Age."

Andrew Carnegie



Captain of Industry (HERO)	Robber Baron (VILLAIN)
• Increased production of steel (mass production) through Bessemer Process. • Philanthropist – donated $$$ to educational facilities (libraries, Carnegie Hall)	• Monopoly of the Steel industry. Could increase prices (corrupt) • Vertically Integrated – controlled all steps of the industry to drive out competition.

Congress rarely made laws to regulate (control) business practices. This atmosphere of freedom encouraged the growth of what become known as "big business." Entrepreneurs formed giant corporations and monopolies. A **monopoly** is a company that controls most or all business in a particular industry. One of the giants of big business was Andrew Carnegie. Carnegie worked his way up in the railroad business. He then entered the growing steel industry. Slowly, Carnegie gained control of every step of the steel making process. His company owned iron mines, steel mills, railroads and shipping lines. This is **vertical integration**. In 1892, he combined all of these businesses into the giant *Carnegie Steel Company.* It produced more steel than all the mills in England combined. In later years, he donated much of his wealth to education by funding thousands of libraries thought the U.S. and United Kingdom. Carnegie once said "The man who dies rich, dies disgraced."

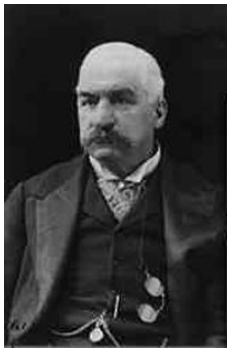


John D. Rockefeller

Captain of Industry (HERO)	Robber Baron (VILLAIN)
• Built oil refinery and purified oil allowing people to use oil in everyday items • Philanthropist – donated $$$ to donate to charities / churches /former slaves / colleges/medical institutions	• Drove oil competitors out of business by slashing prices. • Forced railroads to give him Secret Rebates • Vertically Integrated – controlled all steps of the industry to drive out competition. • Monopoly of oil, controlling 90%-95% of oil refineries. (Standard Oil Trust) • Could increase prices (corrupt)

Industry during this time could not have expanded so quickly in the United States without the nation's rich supply of natural resources. In 1859, Americans discovered oil as a valuable new resource. Titusville, Pennsylvania, where the first oil strike occurred, brought hundreds of prospectors to western Pennsylvania in search of oil. Among those was John D. Rockefeller. He did not choose to drill for oil, but instead built an oil refinery to purify the oil so that it can be used. Rockefeller believed competition was wasteful and used his profits to buy up other refineries, creating Standard Oil Company of Ohio. He was a brilliant entrepreneur yet shrewd businessman. He did whatever he could to get rid of his competition, including slashing his prices to drive out rival oil companies. He forced railroad companies, who wanted his business, to give him secret rebates and lower his shipping costs. He had an advantage over his competitors. Rockefellers Standard Oil Trust created a monopoly over the oil industry, controlling almost 95% of oil refineries. Although criticized by journalists for his corrupt business practices, he was able to improve his public image throughout his life by philanthropy, or giving his money away to charitable causes. He funded organizations and churches that assisted freedmen in the south. He also created colleges and universities for African-Americans. He also provided money to medical institutions.

J.P. Morgan



Captain of Industry (HERO)	Robber Baron (VILLAIN)
• Created U.S. Steel by buying out Carnegie • Rescued economy by investing in troubled businesses (like Carnegies) • Donated $$$ to libraries/ schools/medical institutions / museums.	• Using profits from banking industry, consolidated R.Rs and bought out Carnegie creating U.S. Steel • Eliminated competition

Banks lent huge amounts of money to corporations. These loans helped American industries to grow faster than ever before. They also made huge profits for the bankers. One banker, *J.P. Morgan,* made himself the most powerful force in the American economy. Morgan gained control of key industries, such as railroads, through consolidation. He eventually bought out Andrew Carnegie's steel company as well as mining and coal to create "U.S. Steel." In 1893 and again in 1907, Morgan helped to almost single-handedly rescue the nation's economy from financial panic. In hard times, Morgan and his friends bought stock in troubled corporations. They then ran the companies in ways that eliminated competition and increased profits. Morgan had also been known to use his wealth in positive ways. He contributed various donations to libraries, hospitals and schools. He supported many organizations, including the Red Cross, the Episcopal Church, and the New York Lying-In Hospital, during his lifetime. He also provided a donation to create a museum for the rare book and manuscript collection of the Morgan Library.