The Rise of Big Business and Labor

Prior to the Civil War

- Industry existed but "Big Business" virtually non-existent
  - largest was textile industries (North)
  - most business was local and family owned/operated (no mass production)
  - goods mostly produced for surrounding areas (local/regional)
  - apprenticeships still very common
  - Yeoman or Jeffersonian ideal still strong (economy was still agrarian based)

After the Civil War

- Country converted from an agricultural society to a highly structured, centralized urban society (3 generations after Civil War)
- Population doubled from 1869-1899
  - huge increase in immigration
  - high birth rate
- farm production doubled (not good---will cause overproduction thus driving down the price of agricultural goods)
- value of manufactured goods increased six fold (due to demand)
- by 1890, wealthiest 9% of Americans controlled 75% of the total wealth in the country (rich getting richer, poor getting poorer)

Contributing factors to the Rise of Big Business

- 2nd Industrial Revolution and technological boom (many inventions that made the production of goods more efficient)
- electric power (probably the most important)
- new techniques in steel making (Bessemer Process)
- new forms and improvements in transportation (primarily in RRs)
- improvements in Telegraphs (transcontinental communication)

Transcontinental Rail Road

- legislation passed in 1862 for its construction
  - slowed by Civil War but eventually completed in 1869
- built by the Union Pacific Railroad (Omaha to West- Germans and mostly Irish) and the Central Pacific Railroad (Sacramento to East- 90% Chinese)
- very difficult work, thousands died during its construction
- Significance to the American economy
  - opened markets east to west
  - stimulated other business related to the railroad (steel, luxury cars, housing for laborers, food, entertainment, etc.)

Big Business

- Economies of Scale
  - improvements in efficiency led to mass production which reduced the cost of production
- Vertical Integration- control all aspects of production (eliminates middle man)---Carnegie
- Horizontal Integration- control one aspect of production and dominate industry----Rockefeller
- Competition
  - Myth (business welcomes competition)
  - Truth (competition increases costs, reduces profit)

Great Businessmen of the Period

- John D. Rockefeller
  - wanted to control and centralize the petroleum industry (bought up competitors in Ohio and formed SOHIO)
  - obsessed with precision, tidiness, and order
  - very powerful, ruthless, and loved to put competitors out of business
  - blackmailed railroads to cut deals on shipping rates
- Andrew Carnegie
  - Steel Industry
  - Immigrant from Scotland in 1848
  - Started in textile and telegraph business
  - Met Bessemer in 1872 and began concentrating his fortune on steel industry
  - Gave away a lot of money to fund parks, universities, and foundations ("Gospel of Wealth")
- JP Morgan
  - born very wealthy (banking industry)
  - bought up railroads as a hobby
  - bought out Carnegie's steel companies (formed U.S. Steel—1st billion dollar company)
- James Duke
  - tobacco empire (used the automated rolling machine)
- Cornelius Vanderbilt
  - railroads and steamboats