Chapter 24: Captains of Industry

1. Big Business

Second Industrial Revolution

Mark Twain called the time period between the Civil War and 1900 the Gilded Age. Large corporations formed led by captains of industry or business leaders that made the United States the largest industrial power on the planet. They provided lots of quality goods at cheap prices that helped improve the quality of life for many Americans.

The Corporation

After the Civil War, American business turned from supplying the armies of the Union to making products for peacetime. As consumers demanded more goods, businesses needed more money to build more factories, buy more equipment, and hire more labor.

This need to grow required capital or money for investment that many businesses did not have. So owners began to convert their businesses into **corporations**.

Corporations sold ownership of the company in the form of **stock** certificates to investors. Company owners used the money from stock sales to buy the things they needed to grow the business and make it more profitable. As the company grew, the stock became more valuable. Investors that bought the stock could sell it to other investors for a **profit**.

2. Captains of Industry

Railroads

The first important industrial businesses to incorporate were the railroads. They were large companies having the most advanced **technology** in the world. Moving people and goods across the country brought tremendous wealth to the owners and stockholders.

Shortly before the Civil War, Cornelius Vanderbilt began to invest in railroads. By the 1870s, he owned most of the main railroad lines in New York. To increase his profits, he bought out competitors or drove them into bankruptcy. His ruthless business practices would be imitated by others later.

Steel

Although stronger and lighter than iron, steel was too expensive to produce for most construction projects. Then in 1856, English inventor Henry Bessemer found a way to mass produce steel cheaply.

In 1873, after visiting England and learning about the Bessemer Process, Andrew Carnegie built his own steel plant in Pittsburgh, Pennsylvania. In the coming decades, Carnegie reduced the cost of steel allowing for the construction of stronger railroads, bridges that could span wide rivers, and skyscrapers that reached heights previously impossible. Carnegie Steel helped build modern America.

Oil

Throughout human history, people had little use for oil. Then in 1854, Canadian geologist Abraham Gesner converted oil into kerosene, a clean burning fuel to use in lamps to provide light. It was safer and cheaper than using candles or whale oil.

In 1865, John D. Rockefeller bought his first oil refinery. Five years later, he incorporated his business into the Standard Oil Company. Like Cornelius Vanderbilt, Rockefeller did what he could to reduce competition. In 1882, he created the Standard Oil Trust. Several oil companies agreed to join together under Rockefeller's control in exchange for higher profits. Any company that refused to join the trust got crushed. By the 1870s, Standard Oil controlled almost ninety percent of America's oil refineries.

The oil business made John D. Rockefeller the richest person in United States history. Before he died, he gave away most of his money to charity. Photo: public domain.

3. Inventions

Light

Electricity had fascinated people for centuries. Even Benjamin Franklin experimented with lightning and crude batteries. In 1879, inventor Thomas Edison used electricity to create the first practical lightbulb. Edison then built power plants to supply electricity to homes and businesses to light the country.

The Automobile

At first, only the wealthy could own a car. Henry Ford became fascinated with making a reliable car everyone could afford to own. In 1908, Ford introduced the Model T automobile. Using interchangeable parts and a moving assembly line allowed Ford to mass produce this car cheaply. By 1918, over half of the cars in America were Model Ts. Americans could now travel great distances every day.

4. Monopoly

Ending Competition

As businesses grew, they competed with each other for consumer dollars. Competition reduced profits. Banker J. P. Morgan excelled at bringing together rival businesses and making them profitable.

A number of poor business decisions caused Edison's electric company to suffer. In 1892, Morgan stepped in and forced Edison out. Morgan then merged several companies together to form General Electric.

In 1901, Morgan put together a merger of several steel companies. He bought Andrew Carnegie's company for $480 million dollars. Morgan created United States Steel, the first billion dollar corporation.

A **monopoly** allowed one business to control a product; a trust allowed several companies under the control of a commission to control a product. These businesses could charge whatever they wanted and consumers had to pay or go without that product. Without competition, monopolies frequently failed to invest in their product which often led to poor quality. This was great for business but bad for consumers. Over the years, people would start to question the business practices of companies like Standard Oil and people like J.P. Morgan.