

The Growth of Big Business

Chapter 4 – Section 2



Robber Barons

- Name often given to business leaders
- 4 Reasons (what does “robber” suggest?)
 - Drained the country of its natural resources
 - Persuaded politicians to interpret laws in their favor
 - Drove competitors to ruin
 - Paid workers meager wages & forced dangerous and unhealthy working conditions



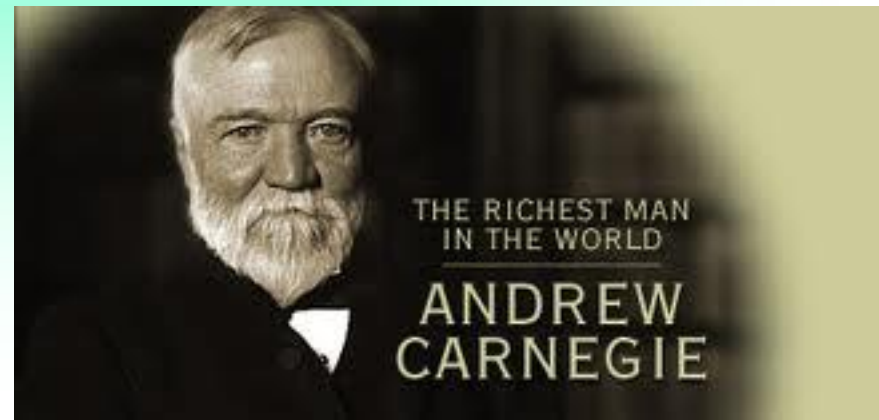
Captains of Industry

- Positive name for business leaders
- 3 Reasons
 - They increased the supply of goods that people wanted by building factories (appliances, etc.)
 - Created jobs in their factories (so people could earn \$ to buy these goods)
 - Started and funded great museums, libraries, and universities (still around today)



Andrew Carnegie

- Self made millionaire who controlled the steel industry and drove others out of business by lowering his prices (sound familiar? Like Walmart)
- Gave \$ to open 3,000 libraries
- Donated \$350 million for art & research
- (Was he good or bad? – helped the country, but at the price of poor work conditions and other companies)
- (What city was he from? Think football....)



Famous Quote

- “It will be a great mistake for the community to shoot the millionaires, for they are the bees that make the honey, and contribute most to the hive even after they have gorged themselves full.”

~ Andrew Carnegie

A Bleaker picture of Industrialization

- “It is only too evident that the cause now at work in Lynn (Massachusetts) may render it rich and prosperous as a city, but with a population of overworked, underpaid hirelings, hopelessly dependent upon employers who act upon the good old rule, the simple plan – that they may take who have the power, and they may keep who can”

~ *Resident of Lynn, Massachusetts in 1873*

Social Darwinism

- The idea that the “fittest survived” and would succeed in business
- The government should not interfere (businesses not taxes and could treat workers as they wished)



Monopoly

- Complete control of a product or service
- Bought out or drove competitors out of business
- Can then charge whatever they want



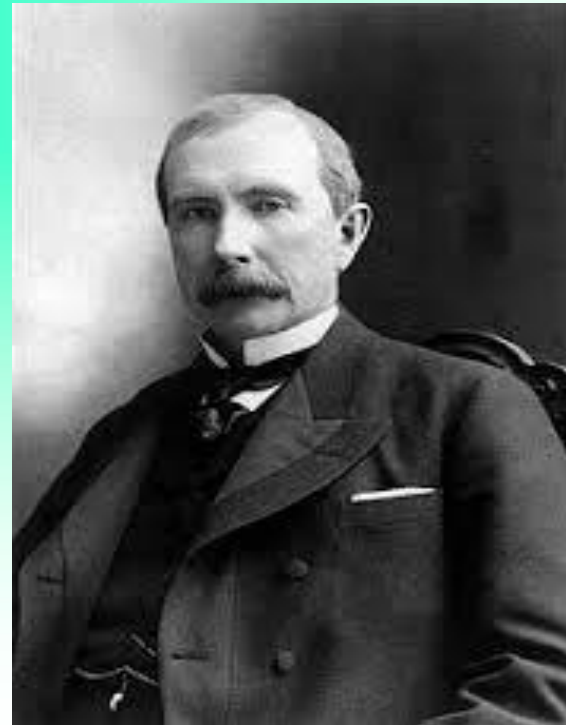
Cartel

- Businesses that make the same product agree to limit the supply of their product, thus keeping prices high (today – oil, drug cartels)



John D. Rockefeller

- Oil tycoon who was able to undersell his competitors (like WalMart)
- Got around anti-monopoly laws by creating a Standard Oil Trust



Trust

- A group of separate companies (not one) placed under the control of a single managing board of trustees (controlled by Rockefeller)
- Because companies didn't officially merge, no laws were violated



Anti-Monopoly laws

- Laws like the Sherman Antitrust Act didn't really work to break up monopolies because politicians refused to attack powerful business leaders and rarely enforced these laws
- (Ironically, were used to break up labor unions b/c workers combined to “gain an advantage”)



Vertical vs. Horizontal Consolidation

- Horizontal is bringing together a bunch of companies in the same business (Rockefeller)
- Vertical is gaining control of all aspects of the business (mining the iron, railroads that transport it, steel itself – like Carnegie did)



4- Year Depression

- Companies made more goods than they could sell so...
- Had to lower prices so...
- Have to cut wages and lay off workers (to cover losses)
- Severe shock to the economy (laid off workers don't buy stuff)
- Led to a 4-year depression starting in 1893



Panic

- As a result investors fear that businesses in heavy debt might not be able to repay their loans
- Investors rush to sell stock, stock prices fall, companies go bankrupt
- (500 banks and 15,000 businesses failed)

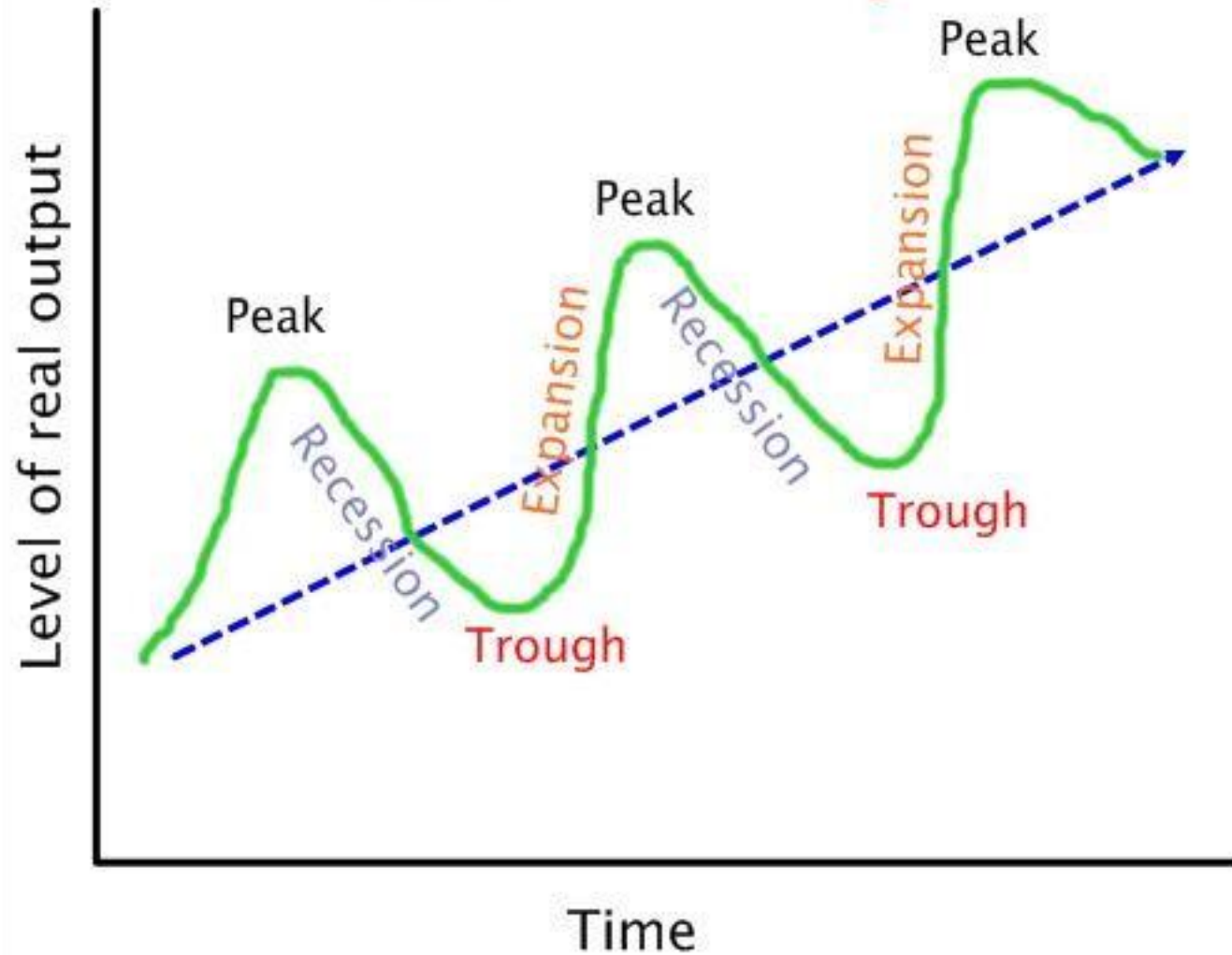


The “Business Cycle”

- Period of “boom and bust”
- Business expands, peaks, then declines, recession, recovery, and repeats
- When it gets bad enough a recession becomes a depression which lasts longer and is harder to get out of (b/c no job creation = little consumer confidence = no hiring ~ it’s a cycle)



The Business Cycle



Assignment/Homework

- **Draw 2 cartoons** ~ one depicting business leaders as “**robber barons**” and the other as “**captains of industry**”. Use your notes and/or book for reasons they were called each.
- *Alternatively*, write a **200 word essay** that explains why business leaders were referred to by each of these names and which you think is more accurate.