

# Industrial Barons

# Industrialization is driven by raw materials!

- Vanderbilt begins using steel for his r.r. tracks
- It hold up better than iron
- Bessemer-Kelly process-blow cold air on red hot iron ignites the carbon and burns off impurities, what is left is steel.
- Steel will be used on r.r., skyscrapers, bridges, buildings, machines, etc.
- America is unique in close proximity to one another are raw materials (coal for fuel, iron ore for smelting, and immigrants for cheap labor
- U.S. becomes steel capital of the world
- Andrew Carnegie becomes the steel baron of the world

# Andrew Carnegie

- Scottish immigrant from impoverished family
- Hard working teen raised enough money to invest in steel industry
- Used Vertical Integration to become a millionaire
- 1900 making \$25 Mil a year



# Vertical Integration

- V.I.-owning all the process it takes to get your product to market
- Essentially you cut out all the middle men and keep more money in your pockets
- Set up in Pittsburgh, PA near the raw materials needed for steel

## **Carnegie Steel**

**Raw Materials**  
ie. Coke, Iron  
Ore, Land,  
Equipment  
Manufacture



**Intermediate Manufacturing**  
ie. Smelting  
Iron, Refining  
to Steel  
Bessemer  
Process



**Assembly**  
ie. Filling Steel  
Orders



**Distribution**  
ie. Lines of  
Transportation,  
Distribution,  
Retail of Steel

# Carnegie-The Ultimate Philanthropist

- “The man who dies rich, dies disgraced”
- He gave over \$350 mil to charitable causes



# J.P. Morgan the Finance Mogul

- Morgan made his money by financing big industrial businesses and banks
- Money Power is only dangerous in the wrong hands
- Controlled much of Wall Street
- Bought out Carnegie Steel Company for \$400 mil
- In 1901 re-named company U.S. Steel Corporation valued worth over 1.4 billion
- First billion-dollar corporation

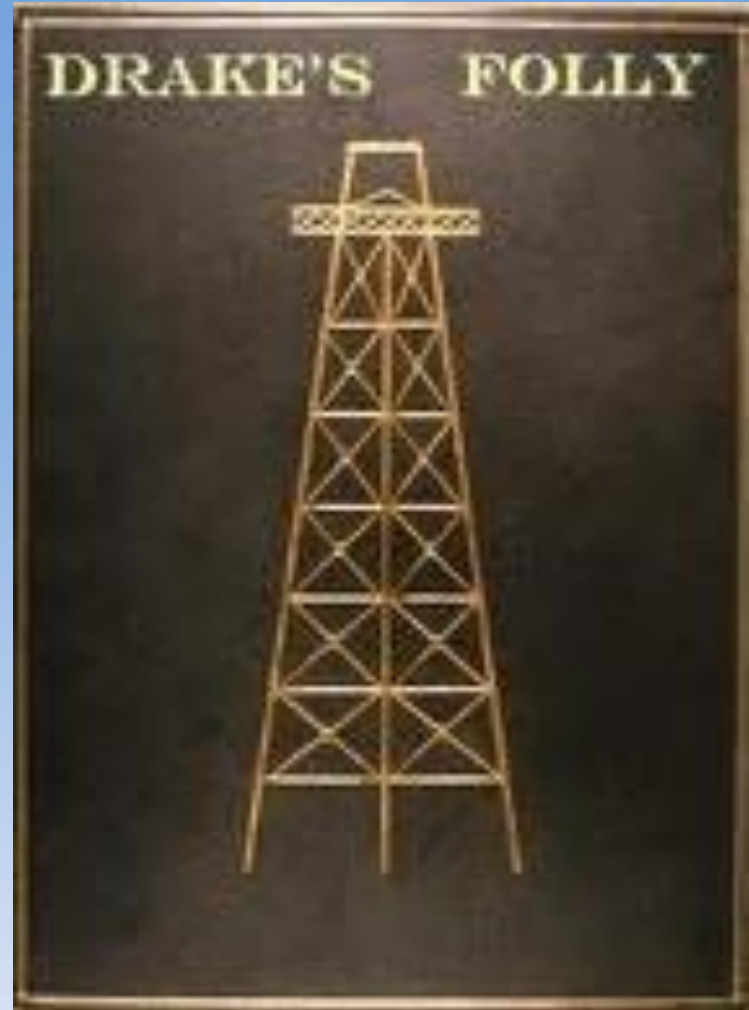
# J.P. Morgan



- Many saw Morgan as an arrogant power hungry man who took advantage of the public to get his wealth
- Many called for gov't regulation of big business
- The feeling is a few are getting rich off the backs and at the expense of the mass

# Drake's Folly

- Edwin Drake and his crew find oil in Titusville PA in 1859
- Called a Folly until people realized it was “black gold”
- Begins an Oil industry in U.S.
- Kerosene was the first product of this infant industry
- It burned brighter and longer than whale oil





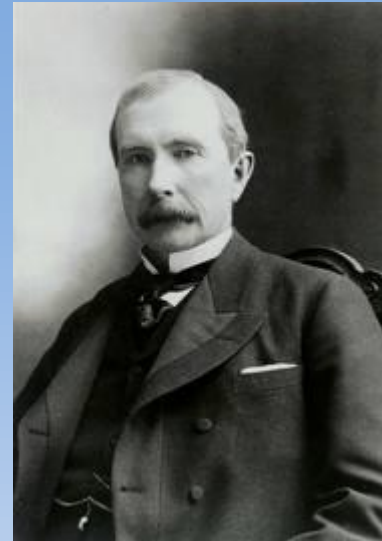
# Thank you Mr. Ford!



- Edison's electric light bulb ended the need for light derived from kerosene
- Just when it looked like the oil industry might disappear, Ford rolled out his Model T in 1908
- The oil industry has never looked back

# John D. Rockefeller-Oil Barron

- Became a successful business man at 19
- In 1870 founded Standard Oil
- “Rule or Ruin”-led to his owning 95% of oil refineries in the country



# Creating a Monopoly

- Rockefeller used horizontal integration to create a monopoly in the oil industry
- Put pressure on smaller oil businesses to sell out or he would put them out
- He even bullied r.r. into charging shipping rates that he saw fit.

*What does this cartoon imply?*



# Trusts

- Rockefeller formed Standard Oil into a trust.
- A trust is where one board of directors controls the stocks and other assets of more than one company (similar to a merger)
- Other businessmen in other industries copied Rockefeller's trust/monopoly building techniques

# Old Rich vs. New Rich

- Many of the families that were considered wealthy prior to the industrial age were worth only a fraction of what the “new wealth” was worth
- There begins a campaign to try and curb this new wealth
- The perspective is the old new obtained wealth through ethical and moral standards and the new rich were no better than common criminals
- The U.S. gov’t will be solicited in this new campaign