25.4 The Rise of Big Business

When Andrew Carnegie opened his first factory in 1865, most businesses were still owned by one person or a few partners. Because the owners' funds were limited, businesses were small. Owners knew their employees and often treated them like family.

Growth of Corporations A partnership might work well for a garment, or clothing, factory. But big businesses, such as railroads, needed much more capital (money to start a business) than a few partners could provide. To raise larger sums of money, entrepreneurs set up corporations. A corporation is a business that is owned by many investors, or people who help pay the business's initial expenses.

A corporation raises funds by selling stock, or shares in a business. Investors who buy the stock are known as stockholders. In return for their investment, stockholders hope to receive dividends, or a share of the corporation's profits.

The money invested by the stockholders is used to build the business. To make sure their money is used properly, stockholders elect a board of directors. The people on the board of directors oversee the running of the corporation.

After the Civil War, corporations attracted large amounts of money from investors. By the 1880s, thousands of corporations were doing business across the United States.

Rockefeller's Oil Trust A giant in the oil business, John D. Rockefeller introduced another form of business organization, the trust. A trust is a group of corporations run by a single board of directors.

Rockefeller invested in his first oil refinery in 1862, at the age of 23. At that time, petroleum, or oil found underground, was just becoming a valuable resource. Oil refineries purify petroleum into fuel oil. During the 19th century, oil was used to light homes, cook food, and run engines and generators.

Before long, many small refineries were competing fiercely in the oil business. The amount of oil these firms produced rose and fell wildly, along with prices. Rockefeller saw this as wasteful and inefficient. To reduce competition, he did everything he could to drive his rivals out of business. Companies he could not destroy, he bought.

Like Carnegie, Rockefeller took control of every step of his business. He bought oil fields along with railroads, pipelines, and ships to move his oil. He built his own warehouses and even made his own oil barrels for storing oil products. By 1880, Rockefeller controlled 95 percent of the nation's oil-refining industry.

To manage his many businesses, Rockefeller combined them into the Standard Oil Trust. The trust made the oil industry more efficient than ever before. But, as a monopoly, the trust had the power to control oil prices. This worried people who depended on oil in their homes and businesses.
Following Rockefeller's example, entrepreneurs created trusts in other businesses such as railroads, meatpacking, sugar, whiskey, and tobacco. The business leaders who controlled these huge trusts became fabulously wealthy. Because most had made their fortunes by crushing their competitors, critics called them "robr barrons."

**The Evils of Trusts**  The growth of trusts alarmed many Americans. They saw these monopolies as a threat to the free-enterprise system. This system depends on free competition among businesses to provide the public quality products at fair prices. A monopoly, people argued, has little reason to improve its products or to keep prices low because it has no competition.

People also worried about the influence of trusts on the political process. Wealthy entrepreneurs, they complained, were using their enormous wealth to buy elections and corrupt public officials. As the *Chicago Tribune* warned, "liberty and monopoly cannot live together."

---

**The Triangle Factory**

**The Owners**

The Triangle Shirtwaist Factory would never be the size of U.S. Steel or Standard Oil. However, it was the largest shirtwaist factory in the entire country. The two men who owned the factory, Max Blanck and Isaac Harris, were famous in the garment industry and had been nicknamed "the shirtwaist kings."

The owners worked well together. While Blanck entertained buyers from stores to convince them to carry Triangle products, Harris ran the factory. Harris kept up with garment production, machinery maintenance, and work flow. He did not, however, try to keep up with his workforce.

---

The factory had too many workers for him to get to know them all personally. The shirtwaist business made Blanck and Harris very wealthy. They drove fancy cars and enjoyed comforts that their workers could only dream about. Both had worked hard in a competitive business and probably felt they had earned their success.
1. How did John D. Rockefeller and Andrew Carnegie increase the size of their businesses? Do you think they were right to do this? Defend your opinion.

2. What did the Chicago Tribune mean when it warned that “liberty and monopoly cannot live together?” It may help you to think of the game Monopoly and what the object of the game is.

3. When thinking of large corporations today like Amazon, Apple, and Wal Mart, do you feel these companies are the modern version of monopolies? Support your argument with several examples.