Rise Of Big Business Essay, Research Paper

INTRODUCTION

The Business of the United States is Business, a great man once said. The United States has heralded around the globe for its incredible economic system. The growth of the United States started off small with minor discoveries and inventions, such as oil and electricity, and with those in place emergence of new technologies and innovations came underway. The railroads came about very slowly and became very popular. A man named Henry Bessemer came up with a way to make steel cheaply and efficiently (Bessemer Process). With the prices of steel dropping railroads were being built all across the nation. Major business tycoons, such as John D. Rockefeller and Andrew Carnegie, took advantage of the demand for oil and steel and started their own companies and later developed a monopoly in their own area of business. New laws and business practices were also enforced. These topics will be addressed in the following pages.

ENERGY FROM OIL & ELECTRICITY

Common in all industries was the consumption and high use of electricity. The United States strived to find a cheap and efficient source of electricity to power its companies. Oil and the invention of the dynamo greatly aided industries need for power.

Edwin Drake (a railroad conductor) was the first to drill for oil. Edwin Drake made quick profits and many others followed his path. There were many uses for oil, which became very useful and cost-effective. Oil was used to lubricate machinery parts and later became a major part in the internal combustion engine. This engine later made the emergence of automobile possible.

Large-scale use of electricity was not fully tapped until about the mid 1800 s. Michael Faraday and Joseph Henry invented an invention called the dynamo. The dynamo produced enough electricity to run factories from the use of steam, and water.

With electricity fully understood Thomas Edison began his work. Thomas Edison made more than a thousand different inventions in his lifetime. His work helped make the use of electricity more efficient and also contributed many major inventions.

AMERICAN RAILROADS

Colonel John Stevens first conceived the concept of constructing a railroad in the United States, in 1812. He described his theories in a collection of works called “Documents tending to prove the superior advantages of railways and steam carriages over canal navigation.”

The earliest railroads constructed were horse drawn cars running on tracks, used for transporting freight. The first to be established and built was the Granite Railway of Massachusetts (1826), that ran approximately three miles. The first regular carrier of passengers and freight was the Baltimore and Ohio railroad, completed on February 28, 1827. It was not until Christmas Day, 1830, when the South Carolina Canal and Railroad Company completed the first mechanical passenger train, that day the modern railroad industry was born. This industry would have a profound effect on the nation in the coming decades, often determining how an individual lived his life.

By 1835, dozens of local railroad networks had been put into place. Each one of these tracks went no more than a few miles, but the true potential for this mode of transportation was finally being realized. With every passing year, the number of these railway systems grew incredibly. By 1850, over 9,000 miles of track had been lain. Along with the generating of railroads came increased standardization of the field. An ideal locomotive was developed which served as the model for all subsequent trains. Various companies began to cooperate with one another, to both maximize profits and minimize expenditures.

This interaction of various companies initiated the trend of combination, which would continue through the rest of the Nineteenth Century. In 1850, the New York Central Railroad Company was formed by the merging of a dozen small railroads between the Hudson River and Buffalo. Single companies had begun to extend their railway systems outside of the local domain. Between 1851 and 1857, the federal government issued land grants to Illinois to construct the Illinois Central railroad. The government made the growth of one of the largest companies in the nation possible.

With the Civil War, production of new railroads fell dramatically. At the same time, however, usage of this means of transportation increased greatly. By the conclusion of the war, the need for an even more diverse extension of railways was extremely apparent.

Soon after the war, the first transcontinental railroad was constructed. The Union Pacific Railroad Company started building from the east, while the Central Pacific began from the west. The two companies met at Promontory Point, Utah, on May 10, 1869. As they drove the Golden Spike uniting the two tracks, a new age was born. Slowly, the small railroad companies would go bankrupt or be overtaken by big businesses.

Several more transcontinental railroads were built before the end of the century, all by large corporations. Every decade brought increased standardization. In addition, labor unions were developed to protect the rights of the workers. As companies grew larger, they began to take over other related fields. Soon, large trusts were formed that controlled many aspects of both the economy and society. As more and more areas became controlled by the railroad industry, it became clear that regulation was impossible to avoid. The standard gauge was then made and put into place. The standard gauge set a certain distance between the rails of the railroad track, which made it possible for all trains to share the same tracks.

CORPORATIONS

Many new businesses and currently large businesses were becoming corporations. A corporation is a business chartered by a state and owned by shareholding investors. The stockholders give money to the company to buy a part of it. That money is later used to buy/ sell/ or produce goods. The stockholders then receive dividends (a portion of the profit) if the company is successful. A Corporation has three definitive benefits over any other types of proprietorships.

The first is that a corporation can evoke grand amounts of capital by selling its stock to the shareholders. With the more money a corporation raises the better chances it gains to succeed and grow. The second is that the stockholders have a means of protection called limited liability. This means that should the corporation fail and go into debt the stockholder is not held liable. The third is that a corporation is not troulbed with the death of owners. Their stock are then opened up on the market and bought up by others. This gives the corporations great stability.

THOMAS ALVA EDISON

Thomas Alva Edison is one of America’s most famous inventors. Edison saw huge change take place in his lifetime. He was responsible for making many of those changes occur. His inventions created and contributed to modern night-lights, movies, telephones, records and CDs. Edison was truly a genius.

Edison is most famous for his development of the first electric light bulb. When Edison was born, electricity had not been developed. By the time he died, entire cities were lit by electricity. Much of the credit for electricity goes to Edison.

Some of his inventions were improvements on other inventions, like the telephone. Some of his inventions he deliberately tried to invent, like the light bulb and the movie projector. But some inventions he stumbled upon, like the phonograph. Of all his inventions, Edison was most proud of the phonograph.

Edison invented and improved upon things that transformed our world. Some things he invented by himself. Some things he invented with other people. Just about all his inventions are things we still use in some form today. Throughout his life, Edison tried to invent things that everyone could use.

Edison created the world’s first “invention factory”. He and his partners invented, built and shipped the product – all in the same complex. This was a new way to do business. Today many businesses have copied Edison’s invention factory design.

A business friend once asked Edison about the secret to his success. Edison replied, “Genius is hard work, stick-to-itiveness, and common sense”. But his “common sense” was very uncommon. More patents were issued to Edison than have been issued to any other single person in U.S. history: 1,093.

Edison was not the type of inventor we have seen on TV – hermit, genius, struggling alone in a garage or science lab. Teamwork was very important to his success. He surrounded himself with six or more assistants. Some were mechanics and some were electrical engineers. A person’s background didn’t matter, talent did. Edison chose people he thought knew more about a subject than he did.

Edison had a talent for motivating people and encouraging creativity. He encouraged everyone to write down ideas and diagrams. Good ideas were started by the experimenter in charge of the project. Then the group worked on it. It was impossible to give credit for an invention to any one person.

The brilliant scientist was also a clever businessman. Edison wanted the streets of New York City torn up for the laying of electrical cables. So he invited the entire city council out to Menlo Park at dusk. The council members walked up a narrow staircase in the dark. As they stumbled in the dark, Edison clapped his hands. The lights came on. There in the dining hall was a feast catered by New York’s best restaurant.

Another great accomplishment of Edison was the invention of an entirely new way for businesses to work. Edison and his partners invented, built and shipped the product – all in the same complex. This was a new and unusual way to do business at that time. Many modern businesses have copied Edison’s invention factory design.

ARDREW CARNEGIE

Andrew Carnegie was an American who owned industries and was charitable. At age 33 he had an annual income of $50,000. He said, “Beyond this, never earn, make no effort to increase fortune, but spend the surplus each year for benevolent purposes.”

Andrew Carnegie was born in Dunfermline, Scotland. He went to the U.S. in 1848 and began work short after his arrival as a threading machine attendant in a cotton mill in Allegheny, Pennsylvania. He got paid $1.20 a week. In 1849 he became a messenger in a Pittsburgh telegraph office. He was next employed by the Pennsylvania Railroad as a private secretary to Thomas Alexander Scott. Carnegie got promoted many times until he was superintendent of the Pittsburgh part of the railroad. He invested in what is now called the Pullman Company and in oil land near Oil City. During the Civil War he served in the War Department under Thomas Alexander Scott. Carnegie was in charge of military transportation and government telegraphs. After the war was over he went and formed a company that makes iron railroad bridges. He founded a steel mill and was one of the first people to use the Bessemer process. In 1899 he put all of his interests together in the Carnegie Steel Company. He was responsible for almost 25% of the American iron and steel production. In 1901 he sold his company to the United States Steel Corp. for $250 million dollars. He then retired.

Carnegie never received a formal education during his childhood but donated more then $350 million dollars to many different educational, cultural, and peace organizations. His largest gift was in 1911 for $125 million dollars to the Carnegie Corporation of New York. He also donated money for the construction of what is now the International Court of Justice for the United Nations at The Hague, Netherlands. Carnegie was honored throughout his lifetime.

The High Points in Carnegie s Life Include:

• US Steel skyrocked from 1643 tons to 7 million tons a year and the nation was the source of more than 40% of the worlds output. -Alexander Holley was Americas first steel master and made a valuable contribution to the steel industry.

• The Bessemer process became widely used – outlined a process for making steel in large batches by forcing a blast of air on hot pig iron to burn out the impurities

• In the last quarter of the 19th century Andrew Carnegie personified the story of the steel industry in the US

• He gained knowledge from working at the Penn Railroad Co and then began to get involved in the mass production of steel

• Carnegie said that costs of production should be regularly reduced and that earnings should be invested in new equipment and expansion.

• Carnegie worked like “everything being within ourselves” -when Carnegie sold his steel company his share was $225 million where only 30 yrs ago he had invested $250,000

• By the end of the 20th century the corporation had become a billion-dollar enterprise funding advancements in education and medicine around the globe.

Carnegie On Competition

The price which society pays for the law of competition, like the price it pays for cheap comforts and luxuries, is great; but the advantages of this law are also greater still than its cost for it is to this law that we owe our wonderful material development, which brings improved conditions in its train. But, whether the law be benign or not, we must say of it: It is here; we cannot evade it; no substitutes for it have been found; and while the law may be sometimes hard for the individual, it is best for the race, because it ensures the survival of the fittest in every department.

ROCKEFELLER & THE STANDARD OIL COMPANY

Rockefeller s stake in the oil industry increased as the industry itself expanded, spurred by the rapidly spreading use of kerosene for lighting. In 1870 he organized The Standard Oil Company along with his brother William, Andrews, Henry M. Flagler, S.V. Harkness, and others. It had a capital of $1 million.

By 1872 Standard Oil had purchased and controlled nearly all the refining firms in Cleveland, plus two refineries in the New York City area. Before long the company was refining 29,000 barrels of crude oil a day and had its own shop manufacturing wooden barrels. The company also had storage tanks with a capacity of several hundred thousand barrels of oil, warehouses for refined oil, and plants for the manufacture of paints and glue.

The Standard Oil Company prospered and, in 1882, all its properties were merged in the Standard Oil Trust, which was in effect one great company. It had a beginning sum of money that totaled $70 million.

After ten years the trust was dissolved by a court decision in Ohio. The companies that had made up the trust later joined in the formation of the Standard Oil Company (New Jersey), since New Jersey had adopted a law that permitted a parent company to own the stock of other companies. It is estimated that Standard Oil owned three-fourths of the petroleum business in the U.S. in the 1890s.

In addition to being the head of Standard Oil Company, Rockefeller owned iron mines and timberland and invested in numerous companies in manufacturing, transportation, and other industries. Although he held the title of president of Standard Oil until 1911, Rockefeller retired from leadership of the company in 1896. In 1911 the U.S. Supreme Court found the Standard Oil trust to be in violation of the anti-trust laws and ordered the dissolution of the parent New Jersey Corporation. The thirty-eight companies, which it then controlled, were separated into individual firms.

High Points of The Kerosene Age and Mr. Rockefeller

♦ Edwin Drake was sent to Penn to supervise a project to drill for oil

♦ He was successful, but it took longer than expected and then others were attracted to the area and many came to find oil

♦ Production soared from 2000 barrels a year in 1859 to almost 5 million ten years later

♦ 1870 -Standard Oil of Ohio- John D Rockefeller

♦ Standard Oil Phases

♦ Confederation- eliminated wasteful production, get others to join or cease operating

♦ Consolidation- central control and rational organization

♦ Vertical integration-less dependent on others

♦ Public attack- price cutting, sabotage

♦ Standards share of the nations refining capacity was reduced to 60% by 1911

Rockefeller on Money

I know of nothing more despicable and pathetic than a man who devotes all the hours of the waking day to the making of money for money s sake.

CONCLUSION

With all the new technologies that were developed and applied in our history it was only a matter of time before major businesses and industries sere developed. Many laws were made because some individuals took advantage of the growth of businesses and were able to monopolize certain parts of the American businesses. Laws such as the Sherman Anti-Trust Act were made and applied, which led to the de-monopolization of major business tycoons like Andrew Carnegie. This time period established the United States as a massive money making country and gave the country world recognition for our economy. The United States was now fully established and roaring to go and do more.