**Industrialization and Urbanization**

**Essential Questions:**

1. *How did Industrialization and new technology affect the economy and society?*
2. *How did big business shape the American economy in the late 1800s and early 1900s?*

**The Triumph of Industry**

***Question - Review from World History 2:*** *What were the benefits and drawbacks of Industrialization in England?*

The end of the Civil War marked the beginning of a major transformation in American society. Americans enthusiastically embraced innovation and technology with the goals of expanding businesses and improving people’s daily lives. American industrialization grew out the English Revolution, but it had a distinctly American character. Backed by business leaders and shaped by a huge number of creative inventors and scientists, this ‘second industrial revolution’ turned the United States into an industrial powerhouse.

**Encouraging Industrial Growth**

 **During the Civil War, it was necessary for industries to make products more quickly and efficiently than they had been made before.**

-Factories stepped up production, using new tools and methods to produce guns, ammunition, medical supplies, and uniforms in large numbers.

-The food industry developed ways to produce food so they could be shipped long distances. Railroads expanded.

-Meanwhile, the government encouraged immigration to meet the increasing demand for labor in the nation’s factories.

**The county’s growth was fueled, in part, by its vast supply of natural resources.**

-Coal mines provided fuel to power steam locomotives and factories.

-Thick forests across the country were cut into lumber for construction. The nation’s many river ways transported these and other resources to cities and factories.

-Then, in 1859, Edwin Drake drilled what became the first became the world’s first oil well in Titusville, Pennsylvania. Before Drake’s invention, oil, which was used for light for fuel, was mainly obtained from boiling down whale blubber.

-Drilled oil was relatively cheap to produce and easy to transport. The oil industry grew quickly after 1859 and encouraged the growth of related industries such as kerosene and gasoline.

**Question: *How did the Civil War encourage Industrialization?* Highlight some ways in the reading above.**

**Capitalism Encourages Entrepreneurs**

**In 1868, Horatio Alger published his first novel, *Street Life in New York.***

 -The novel was very popular and told the story of a poor boy who rose to wealth and fame by working hard. This showed the idea that anyone could rise out of poverty into wealth and fame.

-The “rags to riches’ idea was based on the system of capitalism, or free enterprise, in which individuals own most business. In this system entrepreneurs, or people who invest money in a product or enterprise in order to make a profit. Entrepreneurs fueled industrialization.

**Government policies encouraged the success of business in the late 1800s.**

-For example, the government gave railroads builders millions of acres of land in return for their promise to quickly link the East and West coasts.

- To encourage the buying of American goods, Congress made taxes( tariffs) that would make imported goods cost more than those made locally.

-The government also encouraged **laissez-faire policies,** which allowed businesses to operate under minimal government regulation. This led to growth.

**Question: *What factors encouraged industrial growth in the late 1800s?***

 ***Highlight two answers in above paragraph.***

**The Rise of Big Business**

**Corporations during the Industrial Revolution worked to maximize profits in several ways.** -They decreased the cost of producing goods or services by paying workers the lowest possible wags or paying as little as they could for raw materials.

-They tried to increase profits by advertising their products widely, then increasing their potential customer base.

- Some corporations tried to gain a **monopoly,** or complete control over of a product or service. To do this, a corporation either bought out its competitors or drove them out of business. Consumers had no other choice for a given product or service.

**Still other corporations came up with new methods. John D. Rockefeller, an oil tycoon, made deals with railroads to increase his profits:**

 **Primary Source Excerpt**

**[*Rockefeller’s company*] *killed its rivals, in brief, by getting trunk lines to refuse them transportation. Vanderbilt is reported to have said that there was but one man – Rockefeller – who could dictate to him.”***

* ***H. D. Lloyd,* The Atlantic, 1881**

***Horizontal integration:***

-Businessman continued to develop even more effective ways to increase profits and decrease costs.

-One way was to create a giant company with lower production costs. This system of merging many firms in the same business is called horizontal integration.

-Rockefeller was one of the first businessmen to use this method. A trust would be formed.

-In a trust, companies assign their stock to a board of trustees, who combine them into a new organization. The trustees run the organization, paying themselves dividend on profits.

**Vertical integration**

-Rockefeller, steel tycoon Andrew Carnegie, and other businessmen also increased their power by gaining control of many different businesses that make up all phases of a product’s development.

-This product is called vertical integration, and allowed companies to reduce costs and charge higher process to competitors.

**Question: What is horizontal integration? What is vertical integration?**

 **Highlight the definitions/ explanations above.**

**Debating the Role of Big Business**

Throughout the 1880s, business mergers created powerful empires for those who invested in steel, railroads, meat, farm equipment, sugar, lumber, and in a number of other enterprises. However, while business leaders grew wealthy, many smaller companies began to question their goals and tactics.

**Robber Barons or Captains of Industry?**

**Gradually, consumers, workers and the federal government came to feel that systems like trusts, cartels and monopolies gave powerful businessmen an unfair advantage.**

Most small businesses were bought up or squeezed out of competition. Few profits.

Consumers were harmed by unfairly high prices that monopolies and cartels set on their products. Because of their capacity to swindle the poor, shrewd capitalists became known as ‘robber barons.’

**At the same time many people believed that business leaders served the nation positively, thus earning the nickname ‘captains of industry.’**

Why?

-Factories, steel mills, and railroads provided jobs for an ever-growing labor force. It stimulated the economy, and new innovations advancements)

 -It shaping the United States into a strong international leader.

-Furthermore, many business leaders, like Carnegie, Rockefeller, and Vanderbilt, were important philanthropists. They established universities, museums, and libraries, believing that such institutions made it possible for the disadvantaged to rise to wealth.

**Question: *What arguments did people use to support or oppose big business?***

 **Highlight one of each.**

**What is a philanthropist? Highlights evidence that tells you.**

**Comparing Viewpoints**

**What is the Legacy of the Business Tycoons?**

**Business tycoons like Carnegie, Rockefeller, and Vanderbilt had a huge role in spurring America’s industrial growth. Yet even today, historians debate the real legacy of those men.**

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| **Matthew Josephson****Josephson (1899-1978) was the political and economic historian who coined the phrase ‘robber barons.’** | **Burton W. Folsom, Jr.** **Folsom (born 1948) is a historian who has described the great businessmen of the time as entrepreneurs** |
| “To organize and exploit the resources of a nation upon a gigantic scale… and to do this only in the name of an uncontrolled appetite for private profit – here surely is the great inherent contradiction whence so much disaster, outrage and misery has flowed.”  | “In 1870, when Rockefeller founded Standard Oil, kerosene was 30 cents a gallon. Twenty years later, Rockefeller had almost 90 percent market share and kerosene was only eight cents a gallon. Customers were the real winners here, because Rockefeller’s size allowed him to cut costs…” |

**Exit Questions:**

1. ***What is the difference between Folsom’s and Josephson’s views of these businessmen?***
2. ***What do you think? Based on your reading and these two quotes do Business Tycoons deserve to be called Robber Barons or Captains of Industry?***