

## AP US HISTORY

Industrialization: “Shaping of *Modern America*”

### I. Late 19th C. Industrial boom:

#### A. Trends:

1. most rapid expansion of industry in world history
  2. *Urbanization* and growth of cities
  3. settling of the west
  4. Improved agricultural methods => greater yields/larger farms/fewer farmers
- Relation of trends: Industrial resources from west, workers in cities, increase food for more people, etc.*
- WHY?: THE CIVIL WAR AND THE FACTORS LISTED BELOW*

#### B. Factors:

- 1) natural resources ( timber, coal, oil, iron, copper, farmland, rivers)
- 2) growing # of workers (high birthrate & migration)
- 3) Increases in capital (factories, transportation)
- 4) Increases in consumers
- 5) Innovation & Inventions (such as....?)
- 6) “Free Enterprise”/laissez-faire
- 7) Protective Tariffs

**=>Birth of the “Robber Barons”**

### II. 1st Big Business? = Railroads

- A. In 1890, over \$1 billion in passenger & freights revenue (twice that of Fed. Gov’t)
- How funded? ->private & Gov’t Subsidies (R.R. Debt. 5.1 Bil.  
Nat’l Debt. 1.1 Bil.)

#### B. “System” Builders

1. examples:
  - Cornelius Vanderbilt: *N.Y. Central*
  - Thomas Scott: *Pennsylvania*
  - Jay Gould: *Union Pacific/ Missouri Pacific*
2. used “feeder lines”
3. Standard Gauge 1886: 4’ 8.5”
4. Formed Trusts

#### C. Effect on Economy:

1. Spread growth (economic & settlement)
2. Created 1000’s of jobs (direct and indirect)
3. Many new Technologies -(ex. = air brake, steel (sort of))
4. Close ties with telegraph -Western Union
5. Time Zones

### III. Innovations/

(Henry) *Bessemer Process*  
-blast of hot air  
reduces impurities  
(1850's)

### Effects:

- Steel less expensive
- Mass Produced
- "Iron Belt"
- Stronger Bridges
- Better tools & Machines
- Household items
- Stronger R.R. Tracks

*Oil as fuel*  
(Edwin drake 1st well  
Pennsylvania 1859)

- Better Light
- Better lubricant
- later: combustion engines

*Telegraph*  
(F.B. Morse 1837)

- Faster communication
- Nat'l System
- Western Union

*Telephone*  
(A.G. Bell 1871)

- Bell Monopoly
- Comm. even faster

*The Dynamo ( Elec. Gen.)*  
(Michael Faraday,  
Joe Henry 1831)

- Electricity for Factories
- Inventions

*Electric Power Plant*  
(Thomas Edison)

- efficient collection and distribution
- lit cities and powered factories

Note: Thomas Edison holds the world record with 1,093 patents  
- Power Plant - Phonograph - Light bulb -etc.

### IV. Rise of Big Business:

-There are three kinds of business ownership:  
(before 1860, most companies were either A or B)

A. proprietorship (1 person)

B. partnership (2 or more people -small group)

C. **Corporations** (stockholders -public commodity)

1. a certificate of ownership is granted by the state

2. dividends to stockholders

3. advantages to incorporating:

a. more \$ =more capital =economies of scale (lower cost per unit)

b. *Limited Liability* (stockholders lose only \$ invested)

c. Not affected by death = greater stability = bank support

V. **The “Robber Barons”**: The following Corporations became successful monopolies that many saw as being unfair. Hence the term. By the 1890’s, both controlled about 90% of their industry.

A. **STANDARD OIL** (John D. Rockefeller -1870)

1. sold 10,000 shares totaling \$1 million to start the company
2. **vertical integration**: cut costs by controlling all phases of the business (drilling, refining, transportation, sales, etc. -had refineries, warehouses, pipelines etc.)
3. 1st to establish **departments** for efficiency (billing, shipping, legal, etc.)
4. 1st to set up **trusts** to drive out unwanted competition

B. **U. S. STEEL** (Andrew Carnegie -1870’s, sold to J. P. Morgan 1901)

1. Key to his success: \$\$ to research best ways to produce quality steel at the lowest costs. => allowed him to then undersell all competitors
2. used vertical integration (NOTE: THE BOOK EMPHASIZES THIS FOR HIM)
3. **horizontal integration**: fiercely bought out competitors

VI. **Sales & Marketing reform**: Out of the necessity to compete, businesses began to employ new methods and tactics to get consumers to purchase their products. In a way this marked the birth of the **advertising industry**, now one of the five largest in America.

A. **The “Cereal Wars”** (Battle Creek Michigan)

KELLOGG (John)	vs.	POST (C. W.)
-1877: Granola		->Postum
-1895 Corn Flakes		->Grape Nuts
-(claimed product could help sick patients)		->(claim: remedy for malaria & loose teeth)

*moves:*

- > Kellogg switches focus to taste
- > Post attacks Corn Flakes as being “not enough”
- > Kellogg has big success when it introduces “trinkets”

B. (Isaac) **Singer Sewing Machines**:

1. 1851 own style -> straight needle =fast
2. defeated U. S. inventor Elias Howe in a “patent war” (Howe died poor)
3. *Eliminated the middleman* and opened own stores  
= high profits and consumer satisfaction
4. **Installment Plan**: allowed for sales to people who might not otherwise buy
5. Consistently offered improved models with new features and took trade-ins

VII. **Utilities & Monopolies**:

- A. Unique because patented inventions had to be duplicated for competition which is vital to capitalism => led to court battles for inventors like **Bell** and **Edison**
- B. Edison had less success protecting his patent because electric power was becoming a public necessity or “*service.*”
- C. Edison’s main competitors were:
  - Thomson-Houston
  - Westinghouse
- D. Edison merged with Thomson-Houston out of necessity in 1892 forming General Electric
- E. Bell successfully established the longest standing monopoly in American history. The government broke it up in the early 1980s

### VIII. The birth of BIG Insurance:

- A. Insurance companies boom because:
  - 1. demand for life insurance following the civil war
  - 2. the wealthy look to protect their acquisitions
- B. Consumers benefit from fierce competition, low rates, and low profits  
=> 3 “survivors” who become GIANTS:
  - 1. The Equitable
  - 2. New York Life
  - 3. Mutual Life
- C. Long term results:
  - 1. Hartford, Connecticut becomes the insurance capital of the U. S. & world
  - 2. One of the three biggest industries in America today

### IX. Miscellaneous:

-First **department store**: “The Emporium”(8 stories)-New York, Alexander Stewart 1862

“*Government & Industrialization*”

*Definition:* “Laissez Faire” - Let the people do as they choose. (loose interpretation)

### X. How did Gov’t help?:

- A. High Tariffs - Eliminated many foreign competitors
- B. **National Banking Act 1863** - required federal licensing  
=> stabilized \$ & Banks
- C. Education (**Morrill Act 1862**)  
-> land & \$ for “ Ag. & Mech.” Institutions  
=> Better workers
- D. Postal Reform  
=>lower rates, direct home delivery, mail order!
- E. Subsidies & tax breaks  
-(Ex. R.R.’s)

### XI. Gov’t attempts to regulate:

- A. Problems of Growth & Competition  
-> Winner = Monopoly = Higher Prices!!
- B. States began to attempt to Regulate  
-> Supreme Court decisions protected rights of Corporations.
  - 1. *Munn v. Illinois*
  - 2. The Wabash Case
- C. Attempts at Federal Regulation: *Did not hold up*
  - 1. **Interstate Commerce Act 1867** -” Reasonable & Just Rates”
    - established the ICC (Interstate Commerce Commission)
  - 2. **Sherman Antitrust Act 1890** (loosely worded)
    - any trust or otherwise in restraint of trade or commerce = illegal. =\$5000 + 1 yr.
- D. *U.S. v. E.C. Knight 1895*
  - 1. Sugar Trust (98% of industry)
  - 2. Supreme Court recognized companies right to control
    - a. not illegal because no restraint to trade
    - b. similar cases later ended on convictions for others

## XII. The Labor Movement:

- A. Very few Unions before Civil War -esp. in factories
- B. *Commonwealth v. Hunt 1842* established their legality
- C. Grew rapidly after war
- D. **Knights of labor**
  - 1. formed 1869 by Philly garment workers (Uriah Stephens)
  - 2. leaders brought in political objectives
  - 3. wanted workers to be owners
  - 4. although secret, welcomed ALL groups in some form
  - 5. only 10,000 by 1879
  - 6. championed the *8 hr. workday*
  - 7. under Terrence Powderly - 700,000 by 1886 - STRIKES
  - 8. poor organization and factionalization caused collapse
- E. **Haymarket Square Riot** (for 8 hr. day)
  - 1. 80,000 protesters
  - 2. 1 Protester killed & a bomb killed 7 police  
=>hurt the labor cause
- G. **AFL (American Federation of Labor)** - 1886
  - 1. Adolph Strassen & Samuel Gomper
  - 2. Accepted that workers were WAGE MAKERS & fought for increases in min. wage
  - 3. used the strike
  - 4. 1 million members by 1901
- H. Strikes/Effect
  - 1. 1877: *Great R.R. Strike*
    - a. began in B. & O..
    - b. spread to 2/3 of R.R.
    - c. Pres. Hayes sent in troops
  - 2. 1886: # of Strikes doubled  
-> Pres. Cleveland proposed Arbitration board
  - 3. 1892: **Homestead Steel Strike** (Carnegie)
    - a. 7 Guards Killed
    - b. 5 Month walkabout
    - c. failure = setback to ALL UNIONS
  - 4. 1894: **Pullman Palace Car strike**
    - a. Amer. Railway Union - Eugene v. Debs
    - b. George Pullman holds line on rents
    - c. Cleveland sent in troops
    - d. Debs jailed = end