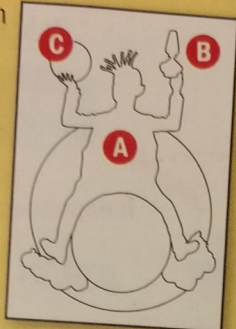


# Primary Sources

## INTERPRETING POLITICAL CARTOONS

This 1800s cartoon represents John D. Rockefeller's near-total control of the oil industry.

1. **Identifying** What type of character does Rockefeller represent in this cartoon?
2. **Analyzing** Why is Rockefeller shown holding the world in his hand?



- A. John D. Rockefeller
- B. oil lamp
- C. world



## The Oil Business

**Main Idea** John D. Rockefeller's Standard Oil Company controlled the booming oil industry.

**History and You** Recall how the railroad barons became powerful. Read how similar events occurred in the oil industry.

The oil industry grew rapidly in the late 1800s. As word of Edwin Drake's success spread, prospectors and investors hurried to western Pennsylvania. "Oil rush" towns with names such as Oil City and Petroleum Center sprang up overnight. The oil boom expanded as prospectors struck oil in Ohio and West Virginia.

Great fortunes were made from oil. Born in Richford, New York, in 1839, **John D. Rockefeller** was the most famous figure of the oil industry. When Rockefeller was 26 years old, he and four **partners**, or associates who agree to operate a business together, built an oil refinery—a plant to process oil—in Cleveland, Ohio.

In 1870 Rockefeller organized the Standard Oil Company of Ohio and set out to dominate the oil industry. One method he used was horizontal integration—combining competing companies into one corporation. Standard Oil grew powerful and wealthy.

## The Standard Oil Trust

Rockefeller lowered his prices to drive his competitors out of business, pressured customers not to deal with rival companies, and persuaded the railroads to give him special rates. In 1882 he formed a **trust**, a group of companies managed by the same board of directors. Rockefeller did this by acquiring stock in many different oil companies. The shareholders of these companies traded their stock for Standard Oil stock, which paid higher dividends. As a result, Standard Oil became part owner of the other companies. Rockefeller had created a **monopoly**—total control of an industry by a single producer.

**Reading Check** **Describing** How did Standard Oil become a monopoly?

## Leveled Activities

**BL** Reading Essentials and Note-Taking Guide, p. 208

**OL** Geography and History Activity, URB p. 59



# Economics & History

During the late 1800s, vertical and horizontal integration helped businesses grow into monopolies.

## Vertical Integration

Purchase of companies at all levels of production



## Horizontal Integration

Purchase of competing companies in same industry



### Diagram Skills

**Contrasting** What is the difference between vertical integration and horizontal integration?

## The Steel Business

**Main Idea** New processes for making steel created an important industry.

**History and You** Have you heard of Carnegie Hall in New York City? Read to learn about the influential man for whom this cultural landmark is named.

Steel also became a huge business in the late 1800s. A strong and long-lasting form of iron treated with carbon, steel was the ideal material for railroad tracks, bridges, and many other products.

### Steel Industry Growth

Two new methods of making steel—the Bessemer process, developed by English inventor Henry Bessemer, and the open-hearth process—changed the industry. With these new methods, mills could produce steel

at affordable prices and in large quantities. In the 1870s, large steel mills were built near sources of iron ore in western Pennsylvania and eastern Ohio. Pittsburgh, Pennsylvania, became the steel capital of the United States. Cleveland, Chicago, Detroit, and Birmingham, Alabama, also became important hubs for steel production.

### Andrew Carnegie

The leading figure in the early years of the American steel industry was **Andrew Carnegie**, the son of a Scottish immigrant. Starting as a messenger and telegraph operator, Carnegie worked his way up to become manager of the Pennsylvania Railroad. In 1865 he invested in the growing iron industry. Carnegie soon realized that there was an enormous market for steel. After learning about the Bessemer process, he built a steel plant near Pittsburgh.

## The Benefits and Obligations of Wealth

by Andrew  
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### Differentiated Instruction Strategies

**BL** Ask students to underline the main idea of each paragraph in the text.

Primary Source Readings  
The Industrial Age

**The Benefits and Obligations of Wealth**

**Interpreting the Source**

Andrew Carnegie came to the United States in 1848 at the age of 13. He was a millionaire by the time he reached 40 years of age. He became rich through the steel industry. He became one of the wealthiest men in the world by financing the Carnegie Steel Company. In 1901 he sold the company to the United States Steel Company for nearly a quarter of a billion dollars. Carnegie then retired and devoted his life to philanthropy. He gave away more than \$480 million to help the poor and the sick.

**Student Reading**

Read the text and answer the questions.

1. How did Carnegie become rich?

2. How did Carnegie use his money?

3. How did Carnegie help the poor and the sick?



By 1890 Andrew Carnegie dominated the steel industry. His company became powerful through vertical integration—acquiring companies that provided the equipment and services he needed. Carnegie bought iron and coal mines, warehouses, ore ships, and railroads to gain control of all parts of the business of making and selling steel. By 1900 the Carnegie Steel Company was producing one-third of the nation's steel.

### Philanthropists

Andrew Carnegie, John D. Rockefeller, and other industrial millionaires of the era grew interested in philanthropy—the use of money to benefit the community. They used their huge fortunes to found schools, universities, and other civic institutions.

Carnegie donated \$350 million to various organizations. He built Carnegie Hall—one of the world's most famous concert halls—in New York City and created more than 2,000 libraries worldwide. Rockefeller used his fortune to establish the University of Chicago in 1890 and New York's Rockefeller Institute for Medical Research.

### Corporations Grow Larger

In 1889 New Jersey encouraged the **trend**, or general movement, toward business monopolies by allowing holding companies to obtain charters. A holding company would buy the stock of other companies instead of purchasing the companies outright. Rockefeller formed Standard Oil of New Jersey so that the corporation could expand its holdings. Other states also passed laws that made corporate **mergers**—the combining of companies—easier.

Many Americans admired the efficiencies of large businesses, but others argued that a lack of competition hurt consumers. Without competition, corporations had no reason to improve—or keep prices low.

In 1890 Congress passed the **Sherman Antitrust Act**, which prohibited trusts and monopolies. In its early years, however, the Sherman Antitrust Act did little to curb the power of big business.

**Reading Check** **Making Inferences** What is one advantage of vertical integration?

## Section 3 Review

### Vocabulary

1. Use each of these terms in a sentence that will help explain its meaning: corporation, stock, shareholder, dividend, partner, trust, monopoly, trend, merger.

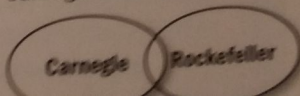
### Main Ideas

2. **Describing** What is the relationship between a corporation and its shareholders?
3. **Explaining** What methods did Rockefeller use to build his oil empire?

4. **Defending** Did the Sherman Antitrust Act support competition? Explain.

### Critical Thinking

5. **Speculating** Why do you think the industrial millionaires became philanthropists?
6. **Comparing and Contrasting** Create a diagram to list the similarities and differences between Carnegie and Rockefeller.



7. **Persuasive Writing** As a member of Congress, write a speech supporting the Sherman Antitrust Act.

### Answer the Essential Question

8. How did Americans build fortunes in the oil and steel industries?

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