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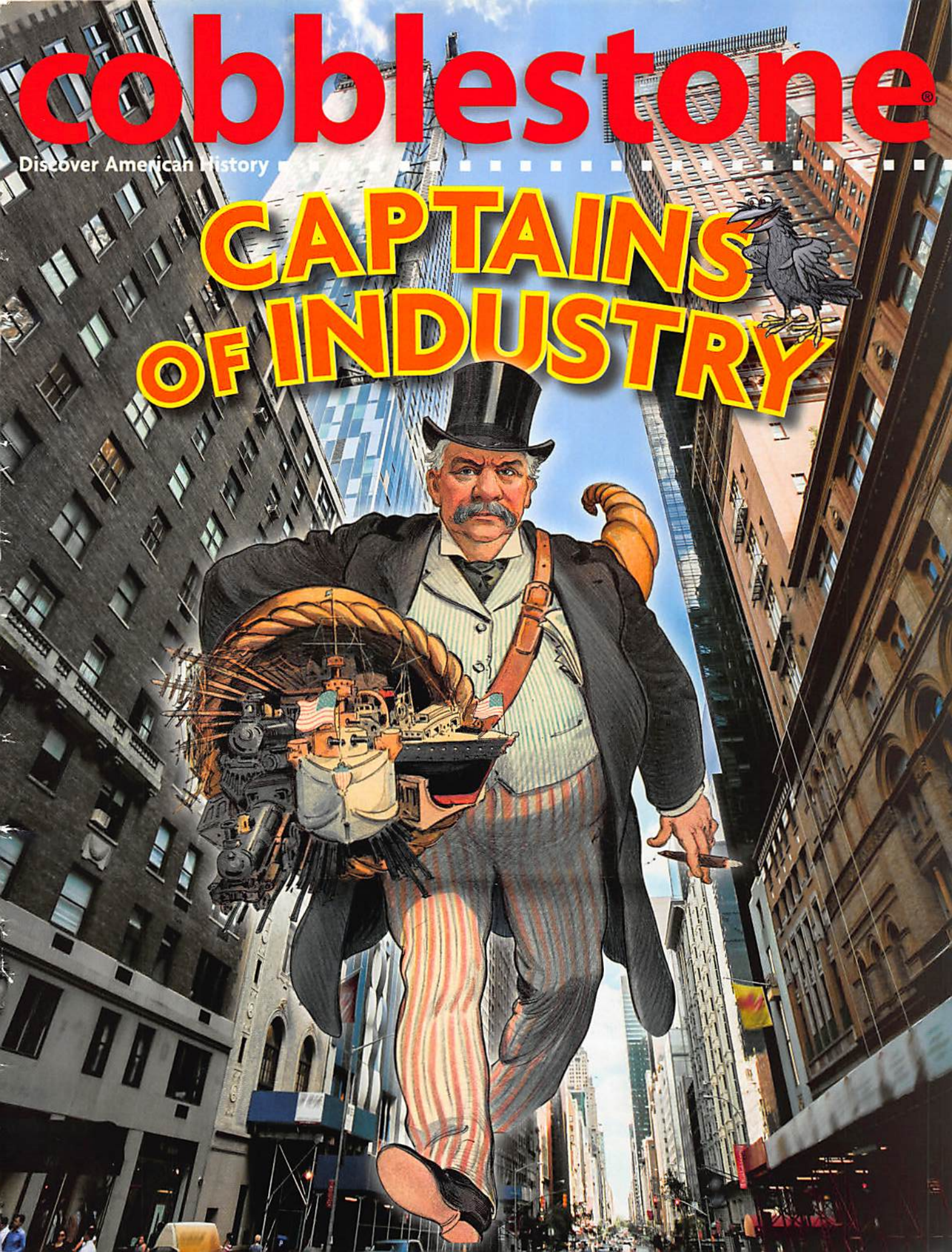
CAPTAINS OF INDUSTRY



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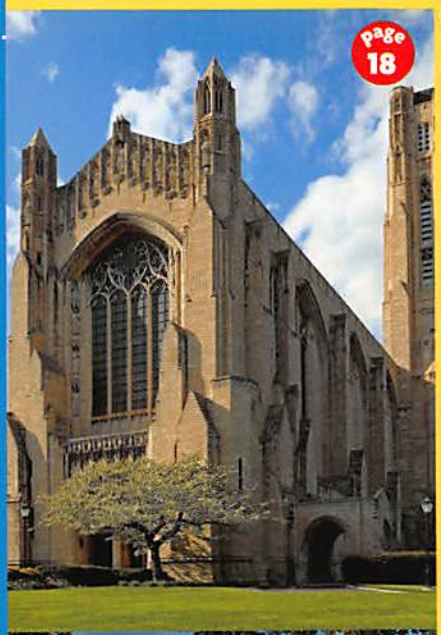

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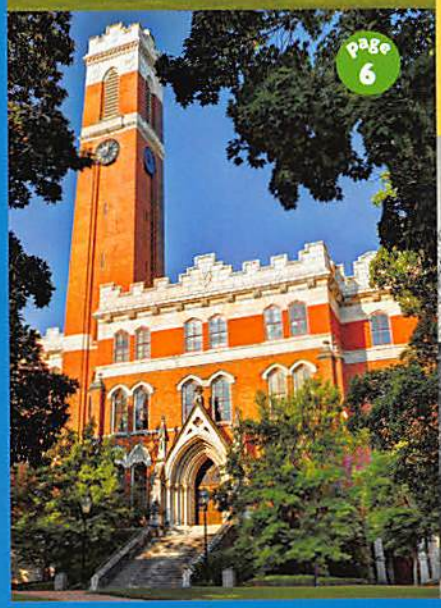

CONSULTING EDITOR

Heather Cox Richardson, *professor of history, Boston College,* has been teaching 19th-century American history for 18 years and has written four books about it. Most recently, she published *West From Appomattox: The Reconstruction of America After the Civil War,* which examines the role of the West in American history from 1865 to 1901, and *Wounded Knee: Party Politics and the Road to an American Massacre,* which explores the reasons for the 1890 massacre.

ABOUT THE COVER

The ghost of financier J.P. Morgan—carrying a cornucopia of fortune-making businesses—strolls down a modern New York street, where he will always be remembered as a captain of industry. (Library of Congress and Shutterstock.com)

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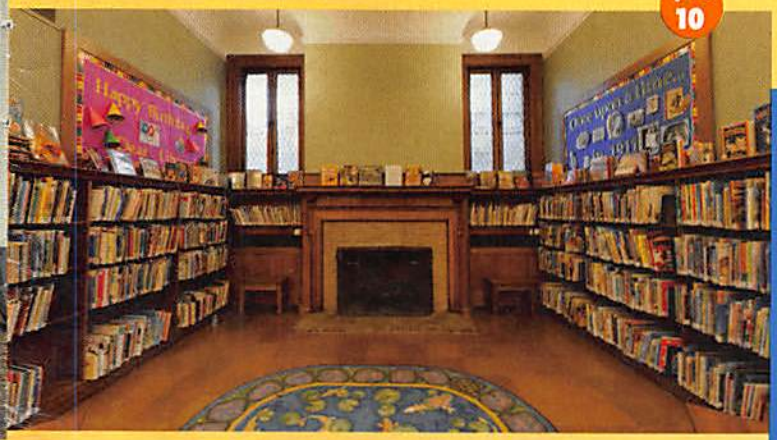

EDITOR'S NOTE

Look at the below list. All the terms have been used to refer to America's captains of industry. But there are subtle differences in the definitions. A few describe a businessman who built a fortune through a combination of hard work and luck. Others are less flattering ways to categorize people who became rich at any cost. There's no question that the empires that certain people built had an enormous impact on the country. What historians wrestle with is this question: Could—and should—captains of industry have seen how the projects that brought them great wealth resulted in poverty and pollution for most other Americans? And should they have invested some of their fortunes to help fix those problems? What do you think?

A **robber baron** uses unfair business practices to accumulate vast amounts of wealth.
A **tycoon** is a wealthy and powerful businessperson.
A **monopolist** has exclusive control of the means of making and selling a product or service.
An **industrialist** owns, directs, or has financial interests in a commercial enterprise.
An **investor** commits money in exchange for a financial return or profit.
A **pioneer** initiates or supports a new area of thought, research, or development.
An **entrepreneur** initiates, operates, and assumes the risk of a new business venture.

Meg Cholian
Editor

OIL
OIL
OIL
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Hearing Opportunity KNOCK

by Peter Barnes

After four long and bloody years, the Civil War finally came to an end in the spring of 1865. While it nearly destroyed the nation, it also created opportunities. Men in the North who manufactured arms, clothing, and supplies for the opposing armies became wealthy.

Many of these men looked for new opportunities to invest their money. At the time, the federal government had not yet established rules that regulated businesses. So a person who was willing to take great risks might also see enormous profits.

In addition, the United States was shifting from being an agricultural nation to becoming an industrial nation. Railways were an important part of this process. They opened up access to the West and new areas for farming, ranching, mining, and land development. They moved people and goods across the nation in greater numbers and at higher speeds than ever before. Stops along routes became the sites of bustling towns and cities. Many fortunes were made on railroads.

John D. Rockefeller became one of the biggest captains (or "kings") of industry in the 19th century.

But railroads were extremely expensive to construct. They required large amounts of labor and materials. Just one mile of railroad track might cost $20,000 to build.

This led to a whole new way of accumulating wealth. Men who were willing to take risks began their empires by dealing with the financing of railroads, not the actual building of railroads. The financial district in New York City, known as Wall Street, played an important role in the growth of big business during this period. It bought and sold *stocks.*

Other major industries, such as steel, coal, and oil, grew dramatically as railroads moved goods quickly from New York to California. New and growing businesses also benefited from advanced manufacturing techniques. Powerful machines performed tasks 5 to 10 times faster than humans had ever been able to do before. Some factories ran 24 hours a day and 7 days a week to deliver maximum production. Fierce competition led many businesses to increase efficiency.

Some business leaders fought competition by merging their resources, which forced smaller entrepreneurs out of the market. Bigger companies had more money to spend on research, advertising, and production.

By the late 1880s, Americans started complaining about *trusts* and *monopolies.* Many citizens thought it was unfair that giant corporations were able to force smaller companies out of business. Congress passed the Sherman Anti-Trust Act of 1890 "to protect trade and commerce against unlawful restraints and monopolies." But the law's vagueness left interpretation up to the courts. The courts tended to side with big businesses. The act was only slightly successful at preventing

Stocks are what a corporation or company gives to those who have paid money to purchase shares in the company.

Trusts are combinations of firms or businesses created for the purpose of controlling prices and reducing competition in an industry.

Monopolies are created when one group has exclusive control over the means of making and selling a product or service.

To some Americans, wealthy industrialists put on a show of giving their money away as a chance to improve their public images. This cartoon's message to Andrew Carnegie and John D. Rockefeller suggests that they give to worthy causes that really needed help, such as hospitals for the poor.

A precedent is something that is established first, that has never happened before, and that can be used as an example in similar later circumstances.

Philanthropic means organized to provide charitable assistance to help humankind.

monopolies and curbing the greed of America's wealthiest industrialists at the turn of the 20th century.

Wealthy businessmen defended themselves against their critics. They claimed that they built things that benefited the nation. Steelmaker Andrew Carnegie (see page 10) argued that competition brought quality goods at cheap prices to all Americans. Cornelius "Commodore" Vanderbilt (see page 6) claimed that the millions he had earned on his railroad investments were "worth three times as much to the people of the United States."

Carnegie, Vanderbilt, and other major 19th-century industrialists set a *precedent* for the 20th century: free markets offered opportunity for great profits. Today, however, government rules and regulations have been put in place to limit modern corporations and prevent monopolies.

And yet, like the original captains of industry, modern corporations, such as Coca-Cola, General Electric, and Microsoft, often play leading roles in the effort to fund important *philanthropic* foundations.

After you've met the captains of industry profiled in this issue, perhaps you'll understand the difficulty historians have in determining how these people should be remembered. As one biographer wrote when describing John D. Rockefeller (see page 18), "His good side was every bit as good as his bad side was bad." $

A LITTLE LUCK

by Eric B. Schultz

Most 19th-century captains of industry showed a good work ethic, a strong business sense, and a willingness to take risks. They also owed much to luck. Many of these men were fortunate to launch their careers at the start of what is referred to as America's "transportation revolution."

Before 1800, transporting people and goods in the United States was slow, dirty, and dangerous. This situation began to change in the period from 1800 to 1830, now called the "*turnpike* era." By 1816, Americans could travel a single interconnected route from Maine to Georgia. By 1821, 4,000 miles of new turnpike had been completed just in New York.

Next came canals. When the Erie Canal was completed in 1825, it connected Buffalo to New York City, and thus the Great Lakes to the Atlantic Ocean. It overcame the obstacles of moving people and goods over land through interior sections of the country. Its success inspired a wave of canal building across America.

Historians call 1815 to 1860 the age of the river steamboat. It was the next important form of transportation in America. Men who spotted the trend, such as Cornelius "Commodore" Vanderbilt (see page 6), became the industry's leaders.

Finally, the greatest of all 19th-century transportation innovations appeared: the railroad. Railways started to replace canals in the 1830s. By 1869, the first transcontinental railroad connected the country from coast to coast.

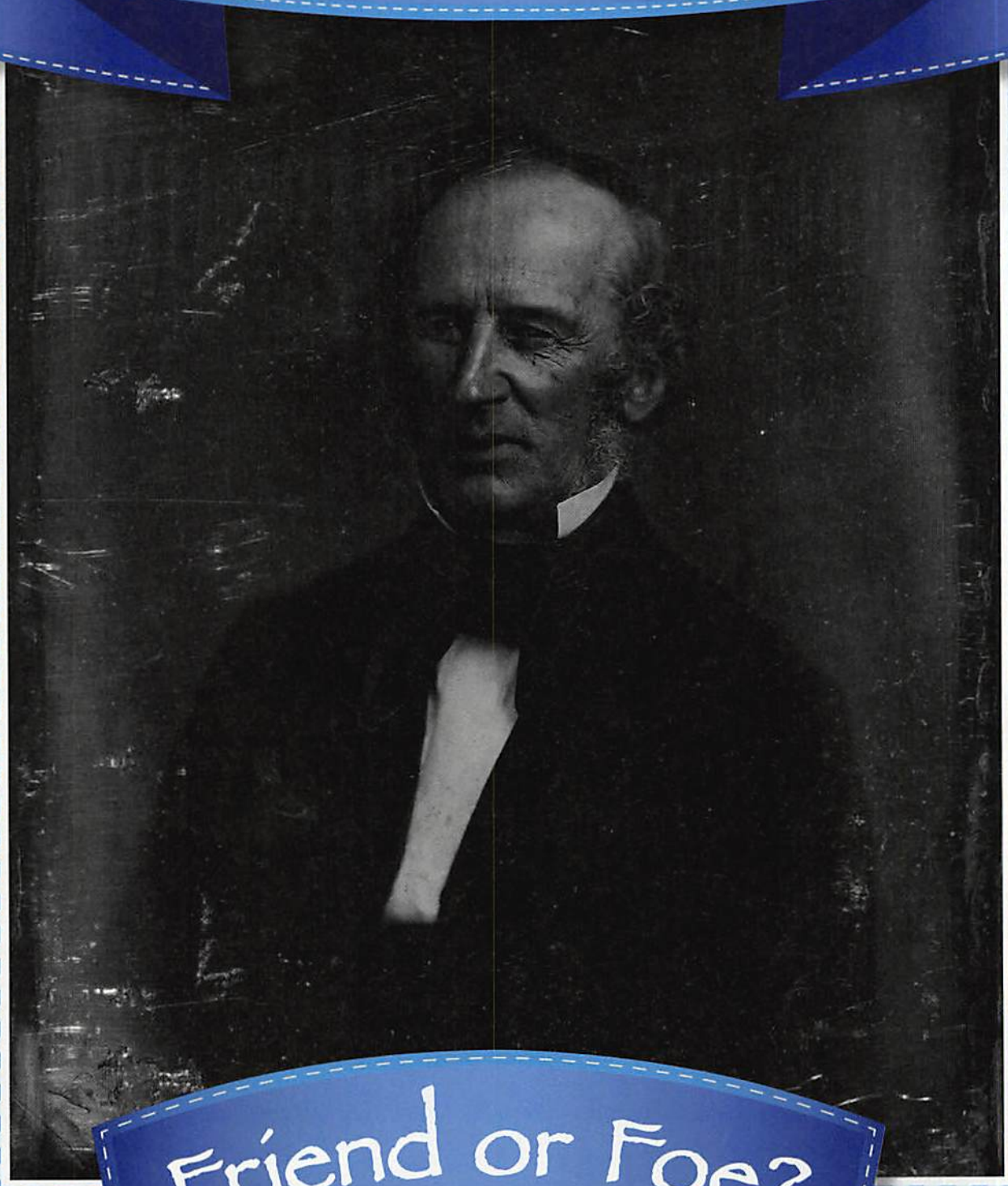
The result of the country's transportation revolution was spectacular. Each innovation moved goods and people with greater speeds and at less cost than the method that came before. They connected the growing nation physically and economically.

The transportation revolution also provided opportunity for the nation's captains of industry. And entrepreneurs who anticipated this national expansion became the richest people in America.

Eric B. Schultz is an entrepreneur, author, and regular contributor to *COBBLESTONE*.

A turnpike is a road on which a toll is charged.

Cornelius Vanderbilt



Friend or Foe?

by Eric B. Schultz

The richest man in America died on January 4, 1877, in his stately Manhattan townhouse. Just across the harbor was the modest Staten Island farm on which he was born. In 82 colorful years, Cornelius "Commodore" Vanderbilt accumulated an astounding fortune of $100 million.

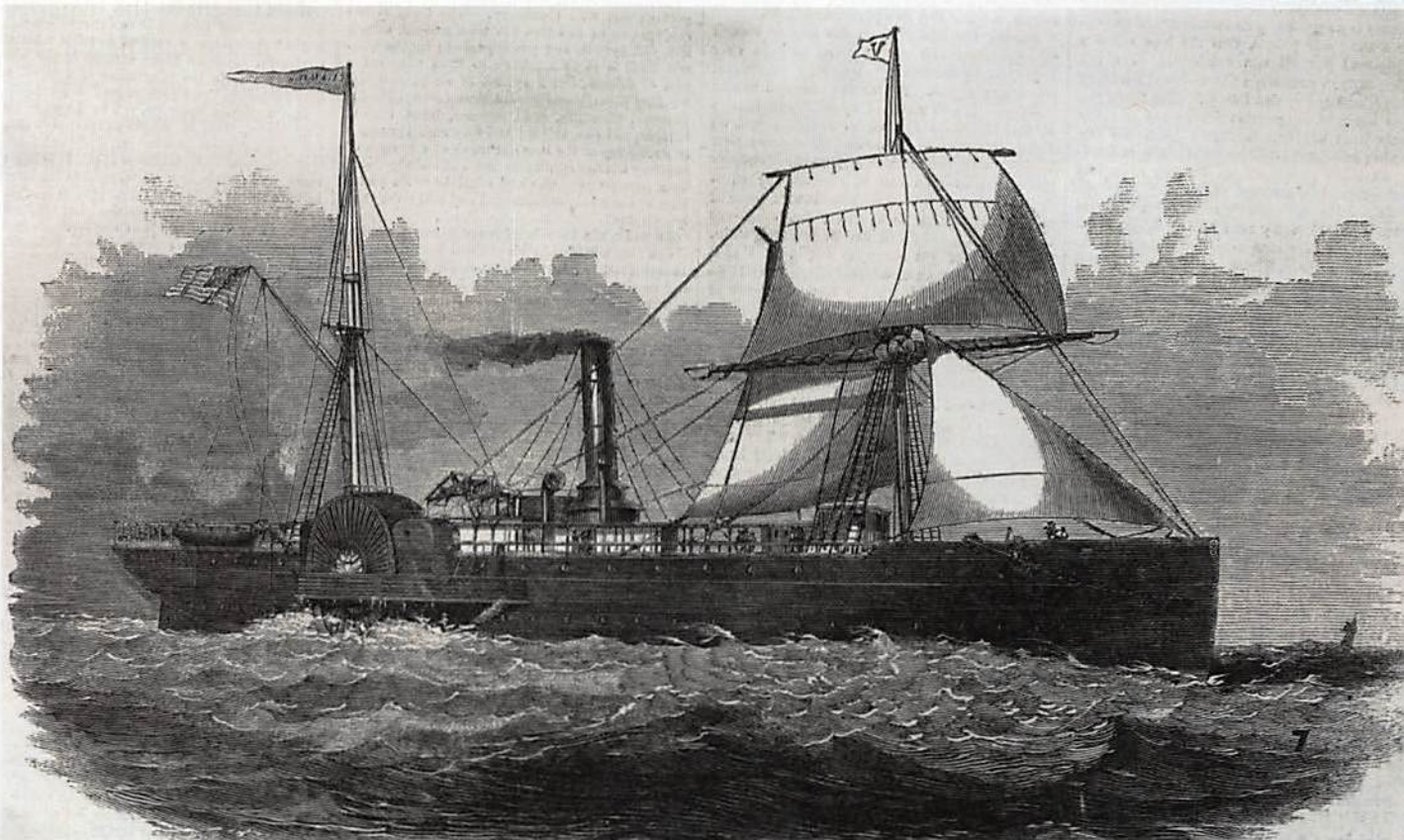
When Vanderbilt died, his associates described him as a beloved friend, a "citizen of high public spirit," and an extraordinary genius. His long career in steamships and railroads had been a dazzling success. But his enemies—and he had many—remembered him differently. To them, Vanderbilt was ruthless, corrupt, and one of America's first great robber barons. He was sometimes compared to the famous Charles Dickens literary character: the hard-hearted miser, Ebenezer Scrooge.

But everyone agreed on one thing: Vanderbilt was a remarkable entrepreneur. Born in 1794, he showed little love for farming and even less for school. Young Cornelius' passion was sailing. At 16, he struck a bargain with his mother to plant eight acres of corn in return for $100 to purchase his own sailboat. He used his boat to ferry passengers and goods between Staten Island and Manhattan. Vanderbilt earned a reputation for being a tough competitor with a fiery temper but a talented and fearless sailor. His work during the War of 1812 ferrying officers and goods to the six forts in New York Bay earned great praise.

It also earned Vanderbilt enough money to acquire and build other boats, including larger *schooners.* With those vessels, he carried goods for trade along the Atlantic coast. By the time he was 21 years old, Vanderbilt was running his own freight business and on the way to becoming a wealthy man. But reports of something new—the steamboat—were in the air. Many of his contemporaries believed that steam could never replace sail, but Vanderbilt disagreed.

Schooners are sailing ships with two or more masts.

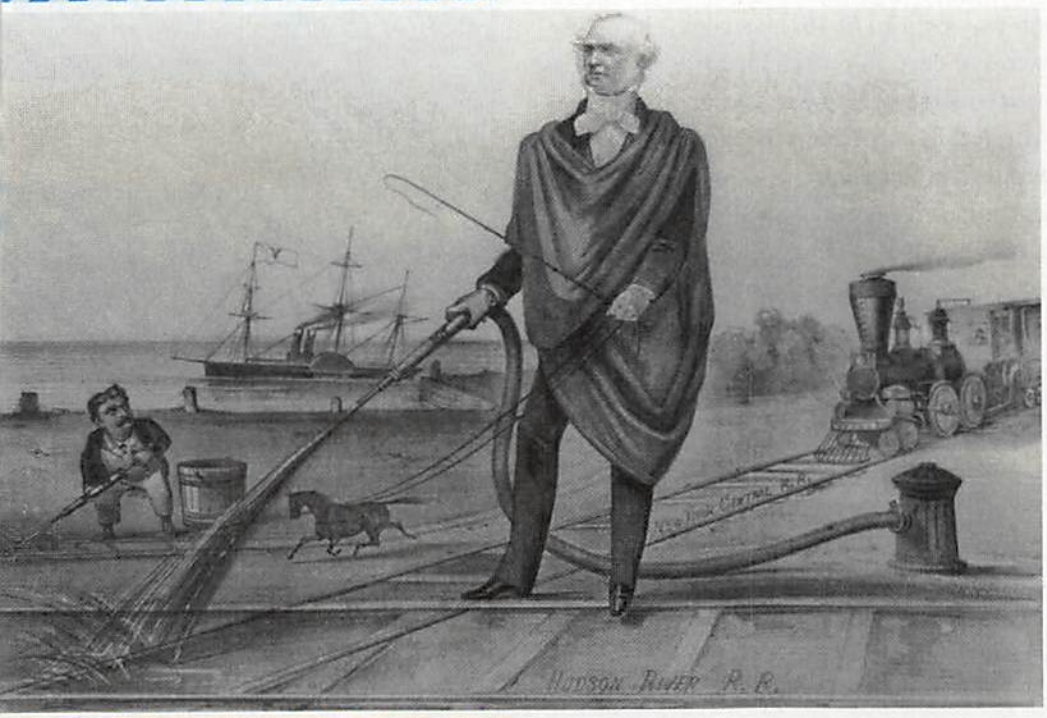
Cornelius "Commodore" Vanderbilt turned his youthful passion for sailing into a valuable steamship business.



Selling his ferry business, Vanderbilt went to work for Thomas Gibbons in 1817, running a steamship line between New York and New Jersey. Over 12 years, Vanderbilt became an expert in the operation and design of steamships. In 1829, he resigned to launch his own business. Soon, his comfortable, fast, and affordable steamships spread from Manhattan to New Jersey and from Albany to Long Island Sound.

When gold was discovered in California in 1848, it excited all Americans, including Vanderbilt. By 1851, his Nicaragua Transit Company transported miners from New York to San Francisco faster than any competitor. Vanderbilt became famous and earned the honorary title of "Commodore." In 1853, he took his large family (he had 13 children) on a tour of Europe in his enormous private yacht, the *North Star.* Upon his return, Vanderbilt decided to enter the Atlantic trade, building a fleet of the fastest liners in the world steaming between the United States and England. His fleet included the $900,000 *Vanderbilt,* "the pride of his heart." However, when the Confederacy's ironclad *Merrimack* threatened the Union fleet during the Civil War (1861–1865), President Abraham Lincoln called Vanderbilt, and the Commodore agreed to refit the *Vanderbilt* as a warship and donate it to the Union navy to help contain the *Merrimack.*

After earning a fortune in shipping, Vanderbilt became the first giant in the railroad industry (BELOW), which sparked a competition with James "Jim" Fisk to own the Erie Railroad (OPPOSITE).



In 1864, 70-year-old Vanderbilt opened the third chapter in his remarkable life. He sold his interest in steamers and turned to Wall Street, the financial heart of the nation in New York. In a short period of time, he quietly bought up a number of railroads to form the New York Central and Hudson River line, one of the largest businesses America had ever seen. It connected the major cities of New York and Chicago into one great rail network. Like his steamships before, Vanderbilt's railroad was the fastest and most efficient in the country. It made him the richest man in America.

Controversy followed Vanderbilt throughout his career. Sometimes, he would intentionally lose money on a steamship run until his competitors paid him to leave. He was accused of bribing lawmakers and *manipulating* stock prices to hurt his competitors. He was known to create illegal *cartels* to artificially set prices. Once, to settle a business dispute, he stopped all rail traffic into and out of Manhattan, isolating the city. The power of such

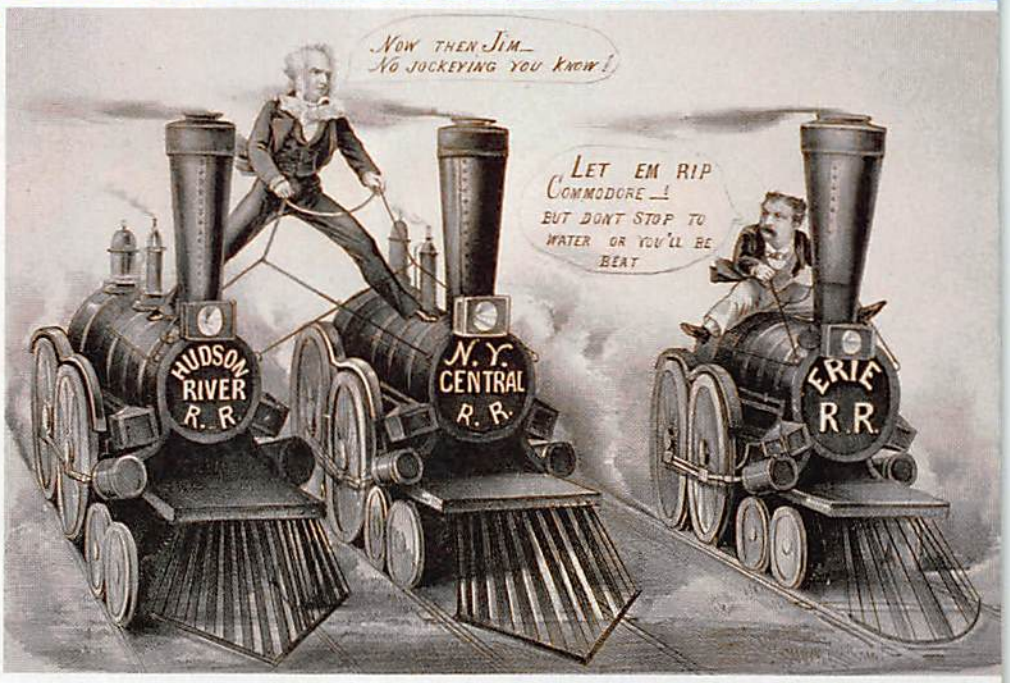
Manipulating means tampering with falsely for personal gain.

Cartels are associations of manufacturers or suppliers that maintain prices at high levels and restrict competition.

a giant but invisible corporation troubled many people.

Personally difficult and ruthless, Vanderbilt peppered his language with swears and was unwelcome for many years in New York society. In a disagreement with his wife, he had her committed to an insane asylum for two years. At the same time, he could be an honest business partner, a good friend, and affectionate with his family.

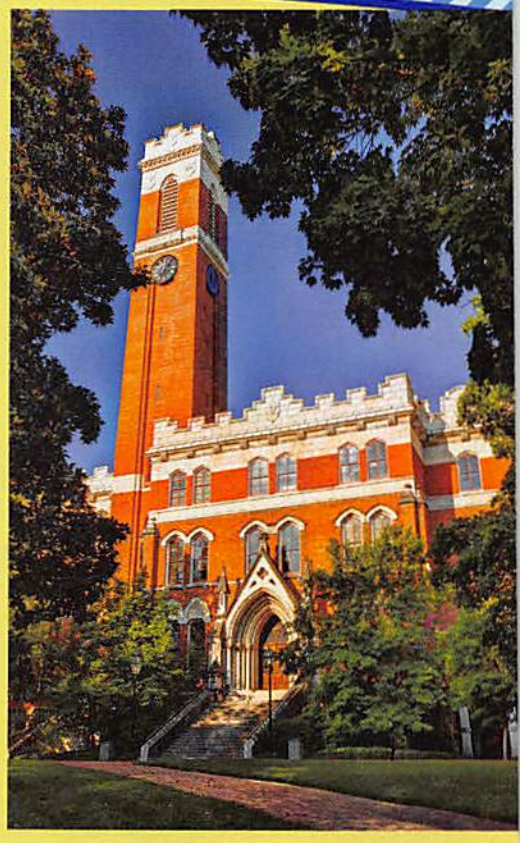
Vanderbilt was an *enigma* even to those who knew him well. He was both feared and loved, despised and admired, during his lifetime. His complicated legacy continues to generate debate. He was a self-made man who laid the ground for transportation methods and routes that transformed the nation's ability to move goods and people. Along the way, he built a family fortune and empire that made the Vanderbilts one of the wealthiest American families for several generations. $



An enigma is someone or something that is hard to figure out.

The Vanderbilt Legacy

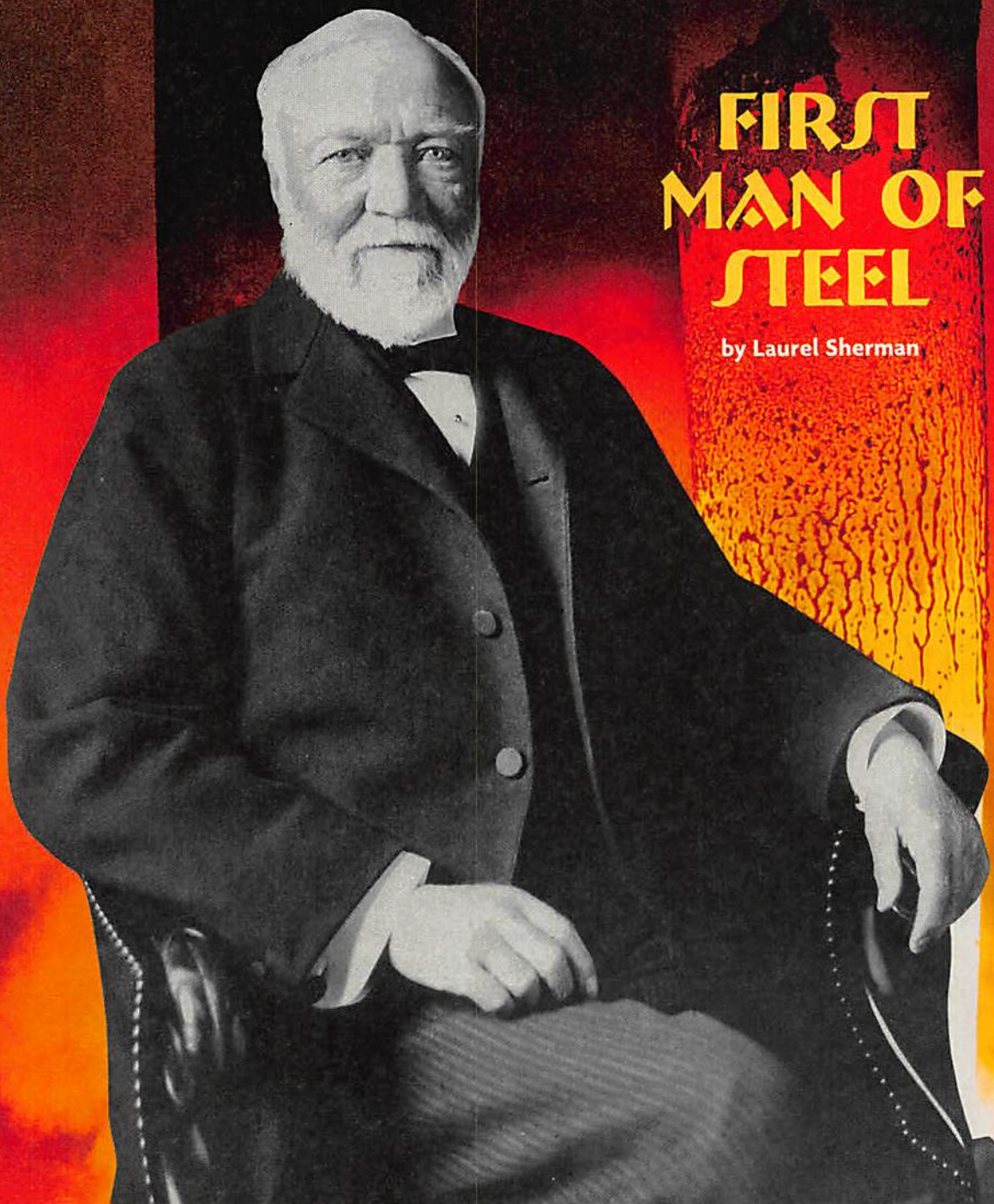
As a philanthropist, Cornelius "Commodore" Vanderbilt gave occasionally but dramatically. He donated an expensive steamship to the U.S. government during the Civil War. Ironically, the boy who disliked school grew up to become the man who gave $1 million—at the time the largest gift in U.S. history—to found Vanderbilt University in Nashville, Tennessee (RIGHT). His eldest son, William, inherited most of the $100-million estate. After adding to the family's wealth, William generously gave to New York institutions, such as the Metropolitan Opera and Columbia University's medical school. William's youngest son, George, used his family inheritance to create Biltmore, his estate and gardens in the mountains of North Carolina. Today, Biltmore is a National Historic Landmark. **—E.B.S.**



ANDREW CARNEGIE

FIRST MAN OF STEEL

by Laurel Sherman



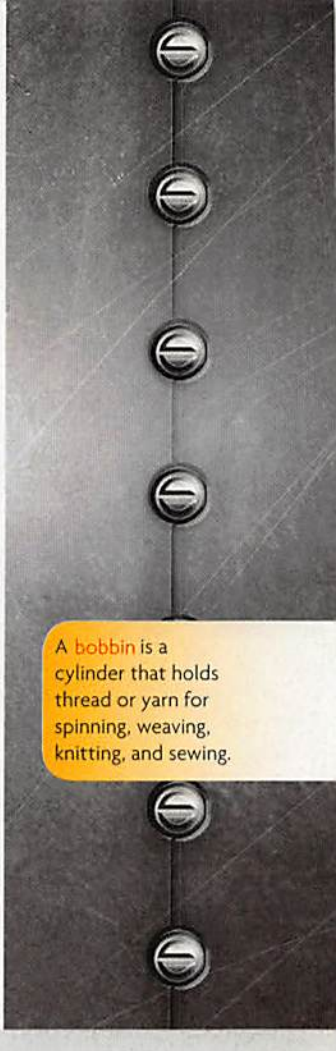
Andrew Carnegie had known that leaving his native Dunfermline would be hard, but the 12-year-old boy cried anyway. His father was one of the many Scottish weavers who had been put out of work by the coming of large automated weaving mills. With letters from relatives describing the opportunities in the United States, the Carnegie family left Scotland in May 1848.

The Carnegies settled in Allegheny, a town just outside of Pittsburgh, Pennsylvania. The whole family worked to make ends meet. Andrew's first job was as a *bobbin* boy in the cotton mill. His next job was in the airless cellar of a bobbin manufacturer. By the time he was 14 years old, he was spending 12 hours a day making bobbins for the cloth-weaving industry.

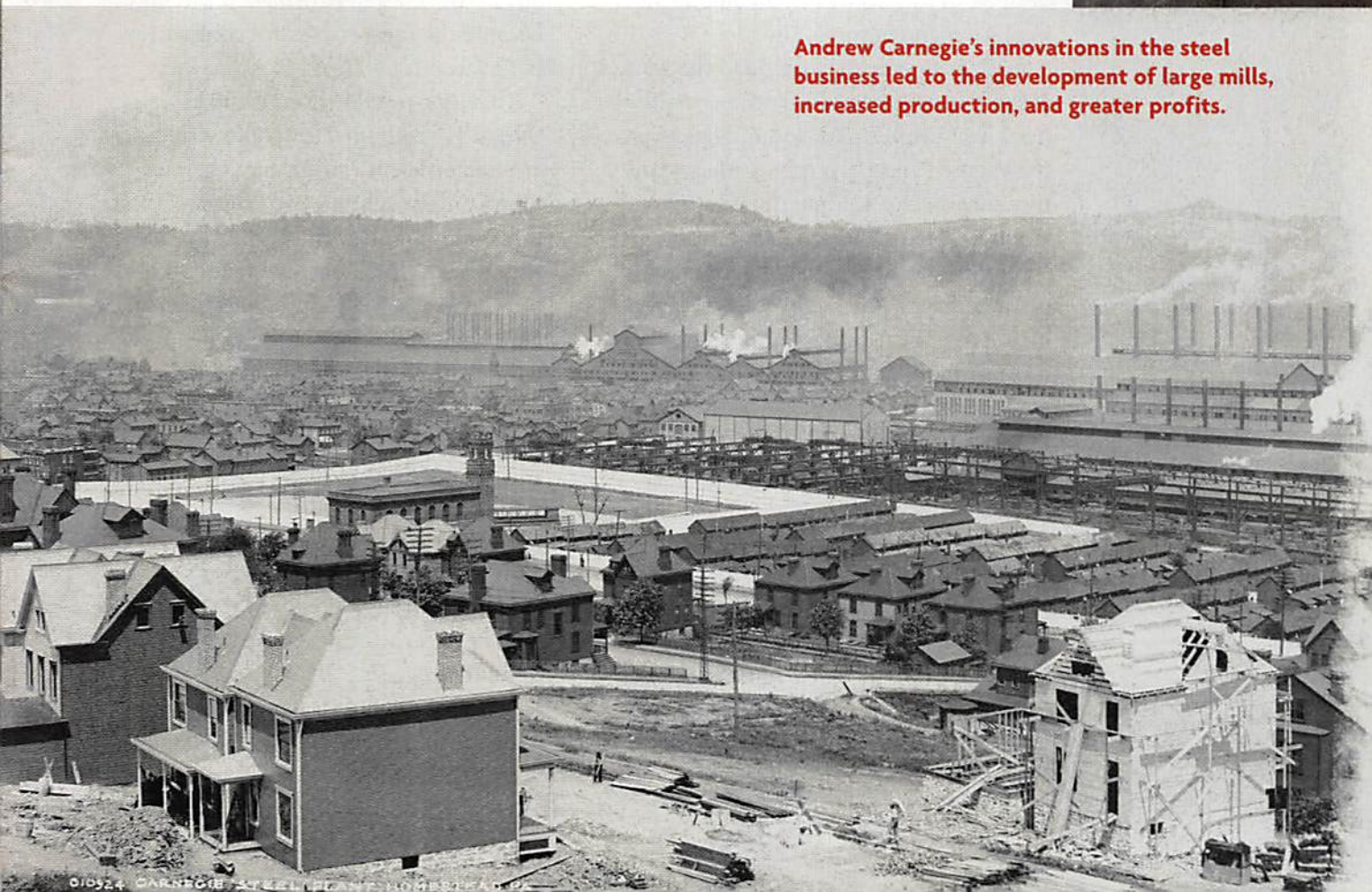
When Andrew learned that telegraph messengers were needed, he sought employment as one. As a runner for the telegraph company, Andrew met many influential businessmen. One of these men hired him to work at the Pennsylvania Railroad Company as a telegraph clerk.

Andrew was a bright and energetic young man. His work ethic impressed Thomas A. Scott, the superintendent of the western division of the Pennsylvania Railroad. Scott first appointed Carnegie as a personal secretary. Then, when Carnegie was only 24, Scott made him superintendent of the western division of the railroad.

By working hard and making wise investments, Carnegie began to accumulate money. By the time Carnegie was 25, an investment in the Woodruff Company—the first railroad sleeping car—provided him with $5,000 a year. Over the next few years, he continued to work for the railroad, but he also made other small investments. Within a couple of years, he had an annual income of



A bobbin is a cylinder that holds thread or yarn for spinning, weaving, knitting, and sewing.



Andrew Carnegie's innovations in the steel business led to the development of large mills, increased production, and greater profits.

Major construction projects in the 19th century, such as the Brooklyn Bridge, used Carnegie steel.

almost $50,000. At the age of 30, Carnegie decided to leave the railroad and move into the manufacture of iron.

Railroads were expanding to the west, and Carnegie realized that they would need iron bridges and iron rails to reach the Pacific Coast. His first company, the Keystone Bridge Company, and its factories were devoted to producing iron.

But in the 1870s, a new steelmaking process gained popularity. Steel was less brittle than iron, and steel rails proved more durable than iron rails. Englishman Henry Bessemer had discovered that blowing cold air over hot pig iron could drive out almost all the impurities, creating steel that was strong and *malleable.* The only problem with the process was that it worked only with ore that was low in phosphorus. Many manufacturers had given up trying to use the new process because low-phosphorus ore was not easy to obtain. But in 1873, Carnegie opened a Bessemer steel plant near Pittsburgh.

Malleable means capable of being shaped or formed.

Almost immediately, his Edgar Thomson Steel Works began earning a profit and became the most successful competitor in the steel trade.

Carnegie owed his success to several things. He equipped his plant with modern and efficient equipment. Then he found and bought his own sources of raw materials and his own railroad and steamship lines to transport the materials and the finished steel. Soon he was independent and could produce steel rails more cheaply than other manufacturers.

But Carnegie's high levels of production came at a cost to his employees. They worked grueling 12-hour shifts, seven days a week. Most had no time to eat during the day, and they were given just one holiday each year—July 4. A steelworker's annual pay averaged slightly more than $500. Carnegie, meanwhile, earned about $2 million a year.

Some of Carnegie's workers began to demand that they be allowed to form

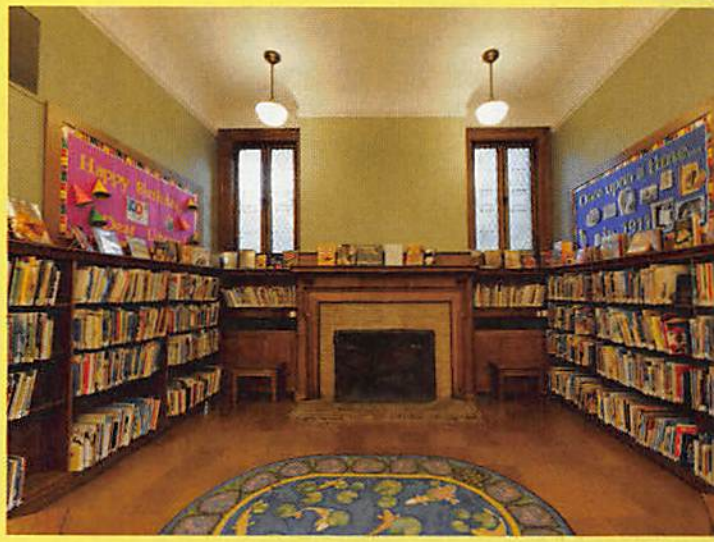
associations to bargain more effectively with the company over wages, hours, and working conditions. One of America's most violent labor strikes occurred at Carnegie's Homestead Steel Works in 1892 (see page 14) when Carnegie's manager refused to negotiate with the union.

By 1897, Carnegie's mills produced more than 6,000 tons of iron and steel daily. Carnegie steel was the foundation for America's railways. It formed the framework of new skyscrapers. It was used in motors and machines. It helped build New York's Brooklyn Bridge and other bridges.

Meanwhile, Carnegie grew richer. By 1900, the Carnegie Steel Company's profits topped $40 million per year. In 1901, J.P. Morgan wanted to buy the company. Carnegie set a price of more than $480 million for the steel company and related holdings. Morgan promptly agreed. The Carnegie Steel Company became the United States Steel Corporation, and steel became the backbone of America's industrial empire.

At age 65, Carnegie became the world's richest man. That the son of a poor weaver could rise to such heights seemed proof to some Americans that the country offered unlimited opportunity. But the production of his high-quality steel revealed a large gap between the wealthiest Americans and the wage earners who worked in those industrial mills and factories. $

The Carnegie Legacy



Andrew Carnegie was often quoted as saying, "[T]he man who dies rich dies disgraced." He felt that the rich had a moral obligation to use their money to make life better for others. Carnegie created more than 2,500 public libraries (RIGHT) and donated organs to churches across the country. When he realized that he could not give away his fortune fast enough, he established the Carnegie Corporation of New York. Its mission was to work for "the advancement and diffusion of knowledge and understanding." It still serves this purpose today, more than 100 years later. Many U.S. cities and towns have Carnegie art museums, performance halls, universities, and research foundations. New York's Carnegie Hall, one of the most famous music halls in the United States, was built thanks to Carnegie. He also founded what became Carnegie Mellon University in Pittsburgh. By the end of his life, he gave away $350 million. **—L.S.**

STRIKE!

by Craig E. Blohm

Trouble was brewing at the Homestead Steel Works. A contract between the steelworkers union and the Carnegie Steel Company was due to end on June 30, 1892. Andrew Carnegie felt that it was time to make some changes. Although known for his sympathy toward workers, he was determined to turn the Homestead site into a nonunion factory. Carnegie departed for vacation in Scotland and left negotiations to his general manager and partner, Henry Clay Frick.

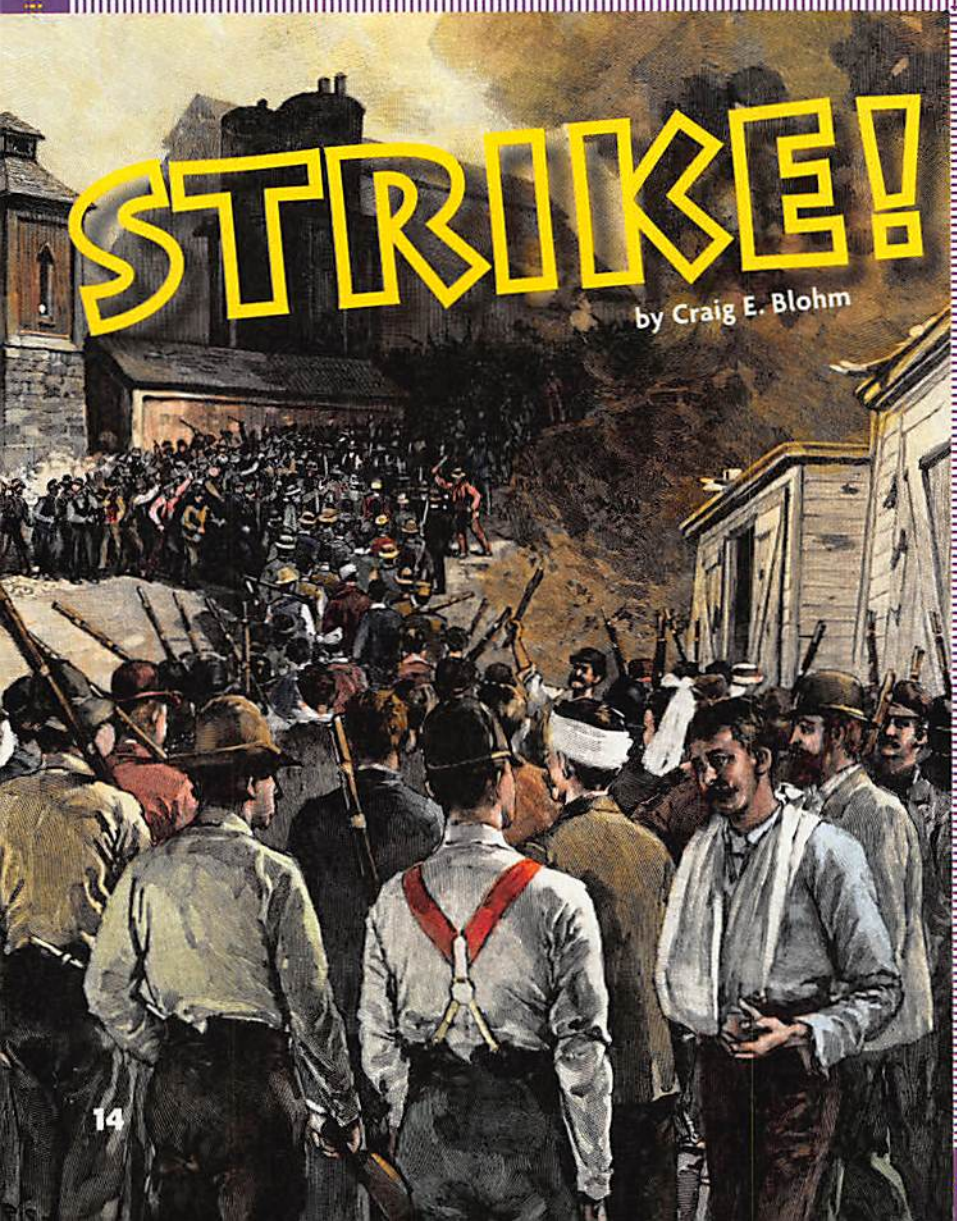
Frick was fiercely anti-union. He wrote a new contract to which he knew the union workers would never agree. Expecting unrest, Frick then ordered that a 12-foot-high wooden fence be built around the steel plant. When the June 30 deadline approached and negotiations stalled, Frick shut down the plant. In response, the laborers declared a strike against the Carnegie Steel Company. They posted armed guards and sealed off the town of Homestead. The uneasy calm was shattered on July 6, 1892.

Early that morning, a tugboat towing two covered barges approached Homestead. Three hundred men of the Pinkerton National Detective Agency were inside the barges. They had been sent to secure the site against striking workers. At about 4:00 A.M., the barges landed at the Homestead wharf. Alerted to their approach, thousands of steelworkers armed with clubs, stones, and rifles raced to the river and were waiting there for the agents.

A Pinkerton officer shouted a warning to the workers. Suddenly, several shots rang out. After a furious 10-minute battle, both sides dug in for a long fight. The Pinkerton agents were pinned down in the barges. They could not advance. The tugboat had left with some wounded men, so the agents could not retreat, either.

Finally, around 5:00 P.M., the workers accepted the Pinkertons' surrender. The agents left the barges and began walking to the town's railroad depot. Along the way, men, women, and even children who lined the streets of Homestead threw sticks and stones at them. The people hit and spit at the agents, too.

Seven steelworkers and three agents died that day. Many more were wounded. Although Carnegie later wrote that "the [Homestead] Works are not worth one drop of human blood," he publicly supported Frick's actions in handling the strike, forever tarnishing his reputation. Labor unrest—and the great divide between the classes—would become increasingly serious issues for American society.



The violence at the Homestead Steel Works brought attention to the difficult conditions under which workers labored.

PARTNERS in CRIME

by Pauline Bickford-Duane

Both Jay Gould and James "Jim" Fisk were viewed as scoundrels in their day. Gould is Satan in this editorial cartoon about his questionable business practices (LEFT), while Fisk (BELOW) is portrayed as a bulldog.

As a young man growing up in New England, James "Jim" Fisk held several different low-paying jobs, including circus worker, hotel waiter, and peddler. He became successful during the Civil War (1861–1865) by smuggling cotton and selling Confederate bonds. But his real financial breakthrough was in 1864 when he became a stockbroker in New York.

Jay Gould had a similar beginning. He grew up in New York and worked at various jobs: as a bookkeeper, as an employee in his father's hardware business, as a map surveyor, as an employee at a lumber and tanning business, and as a banker. Like Fisk, Gould profited during the Civil War by trading bonds and gold. He then became the manager of the Rensselaer

FAST FACT

JIM FISK'S NICKNAMES WERE "JUBILEE JIM" AND "DIAMOND JIM" AND REFLECTED HIS FLAMBOYANT LIFESTYLE.

and Saratoga Railroad. He made a fortune as a broker in railway stocks, buying and selling to make huge profits.

Despite their humble beginnings, Gould and Fisk had sharp minds and quickly climbed the economic ladder. When these two men got together in the mid-1860s, they schemed of ways to find profits for themselves. In 1868, the two men orchestrated their first major power play. They attempted to seize control of the Erie Railroad in New York. With their associate, Daniel Drew, they used stock fraud and bribery to inflate the line's assets and keep Cornelius "Commodore" Vanderbilt (see page 6) from gaining control of it. Vanderbilt lost a great deal of money, and he eventually ceded control of the railroad to Drew, Fisk, and Gould. The trio used the railroad to add to their personal wealth.

Gould and Fisk's next plot caused a major national financial crisis that resulted in "Black Friday" on September 24, 1869. Gould understood that when buyers increased the demand for gold, its price went up. But when that price went too high, the U.S. Treasury Department released some of the government's gold into the market to bring the price of gold back down.

Gould and Fisk realized that if they bought large quantities of gold, they could drive up its price. At some point, the government would move to correct the price of gold. Gould and Fisk speculated that if they could anticipate when the government was going to release its shares, they could act first and sell what they owned at the height of the price of gold before the price began to fall.

Using acquaintances who worked in the government, Fisk and Gould gained inside information on the government's plan. One contact in the U.S. Treasury Department agreed to alert them to any government action in return for some of the profits.

Feeling confident that they had minimized their own risk, Fisk and Gould began buying up large amounts of gold in September 1869. Their actions and those of other investors drove up the price of gold.

But President Ulysses S. Grant discovered their plan. He ordered a large amount of government gold to be sold all at once so that the price would immediately drop. Gould was able to sell the gold that he and Fisk had purchased right before the market fell. In this way, they not only avoided personal financial ruin, but Gould was reported to have made millions of dollars of profit.

But Fisk and Gould's actions created a panic on Wall Street and ruined a number of investors. Those men had bought gold as the price was shooting up but had not sold it in time. They had also borrowed money to purchase the gold, so they were ruined when they could not pay back the loans. Despite their role in the scandal, Gould and Fisk escaped legal punishment.

Fisk and Gould never became generous philanthropists like some of the other wealthiest business leaders of the late 1800s. Of the men who made their fortunes in that era, Jim Fisk and Jay Gould most clearly earned the title of robber baron. $

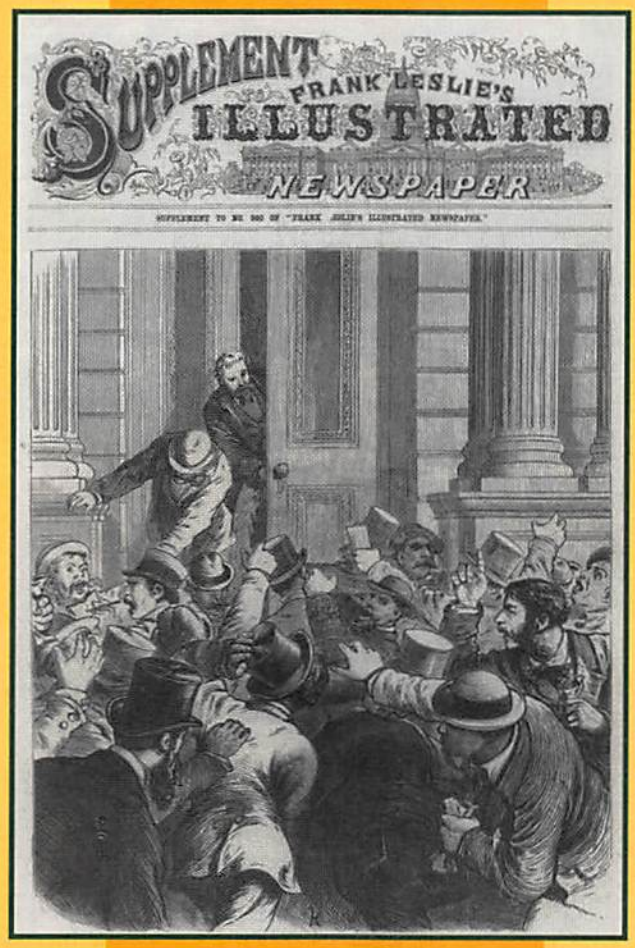
Pauline Bickford-Duane is a student at Wheaton College in Massachusetts. She is double-majoring in English and French studies.

Bonds are government-issued certificates of debt that guarantee repayment (plus interest) of a monetary investment by a certain date.

A MAN OF TRUST

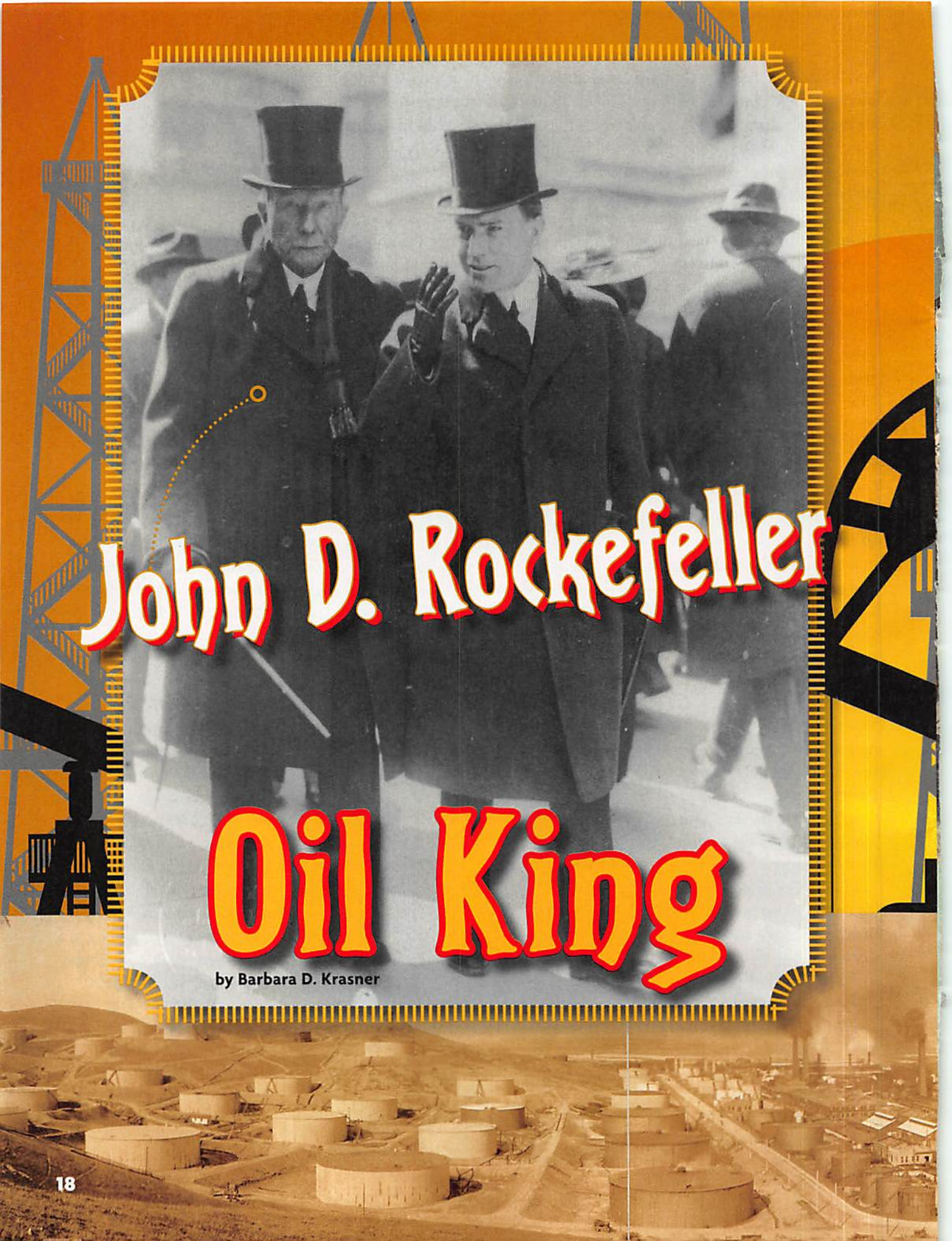
Jay Cooke grew up in a wealthy family. His father was a lawyer, and his parents were both educated and politically active in Ohio. As a young man, Cooke worked at a dry goods store as head clerk and then at a banking house in Philadelphia. When he was 18 years old, he got a job at a banking firm called E.W. Clarke and Company, which soon led to a full partnership. These jobs gave Cooke valuable financial experience.

In 1861, Cooke created his own banking house, called Jay Cooke and Company. The timing was perfect—the Civil War (1861–1865) began that year. The secretary of the U.S. Treasury Department asked Cooke to help raise money to finance the war. Cooke sold Treasury *bonds* and negotiated loans, which were used to buy horses, guns, and other supplies as well as pay the soldiers' salaries. By the end of the war, he had helped raise nearly $1 billion for the Union war effort.



After the war, Cooke lost most of his fortune when he invested in the construction of the Northern Pacific Railway. The nation's economy crashed in the panic of 1873, and a six-year economic depression followed. Cooke's firm, along with many other financial businesses, declared bankruptcy. By 1880, however, Cooke recovered financially after investing in a Utah silver mine, and he was able to pay back his debts.

In addition to being a respected and trusted financier, Cooke was a well-known philanthropist. He donated large amounts of money to the Episcopal Church. **—P.B-D.**



John D. Rockefeller Oil King

by Barbara D. Krasner

John D. Rockefeller came of age at a time when America was realizing the vastness of its natural resources. In his determination to harness them, he became the world's first billionaire.

Rockefeller was born in rural western New York in 1839. His family moved to the Cleveland, Ohio, area, where he began work as an assistant bookkeeper for a produce merchant at age 16. In 1858, he borrowed $1,000 from his father and joined forces with an older merchant, Maurice Clark. They traded in *commodities.* Rockefeller quickly became a recognized name among Cleveland's young merchants. He was considered honest, reliable, and someone with a shrewd sense of the markets.

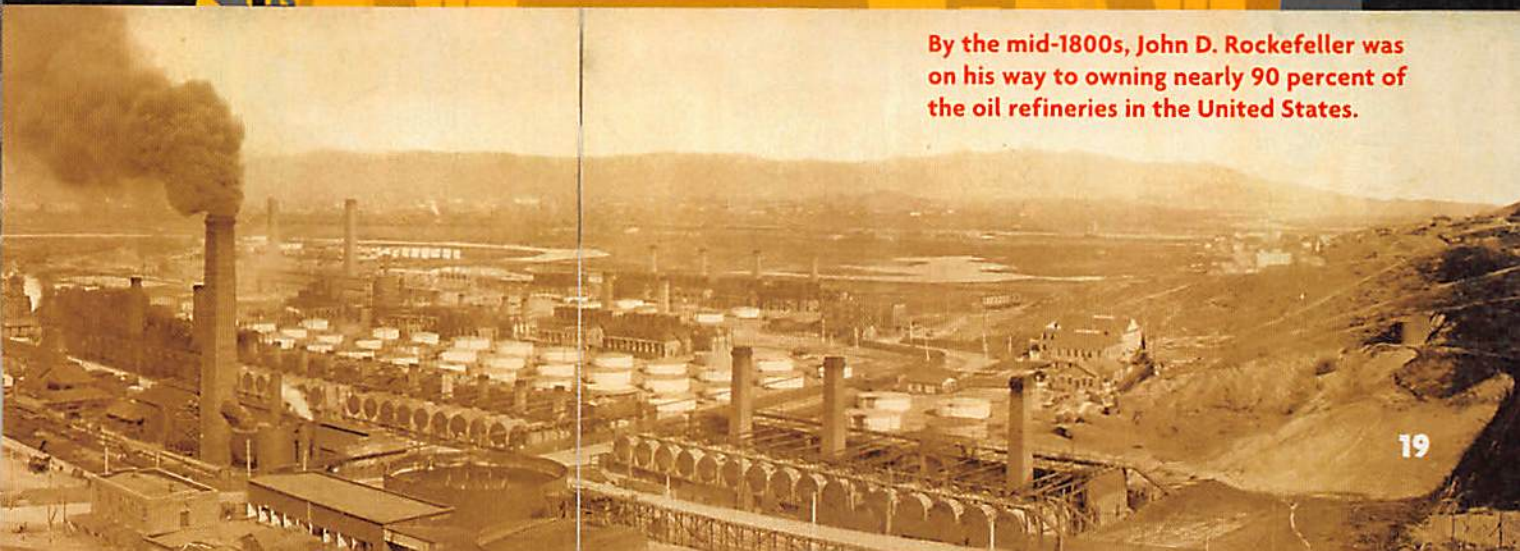
Around this time, oil was discovered flowing out of western Pennsylvania springs in a place dubbed Oil Creek, near Titusville. In 1859, Colonel Edwin Drake found a way to tap into and control the large amount of oil there. Almost simultaneously, people were searching for a new way to light lamps. Whale oil was becoming scarce and was too expensive for anyone but the wealthy. But Oil Creek's petroleum oil, which could produce kerosene, was thought to be a good substitute. *Speculators* poured into Titusville, and news of the rush reached Cleveland.

Clark's friend, chemist Samuel Andrews, approached Clark and Rockefeller, gushing about kerosene. He asked them to invest $4,000 in the opening of an oil refinery. They agreed, although Rockefeller considered it a "very large" sum. The three men joined forces in 1864 and named their company the Excelsior Oil Works. It succeeded right from the start. Despite Rockefeller's young age, he quickly took over the day-to-day business operations.

Rockefeller paid careful attention to details. He wisely chose a location for the company near rail and water transportation. Instead of buying oil from middlemen who were paid to bring two sides of a deal together, he sent his own men into the field to buy oil. He built his own wagons for hauling and his own barrels for holding the oil. He found uses for the byproducts of the refining process so that little oil was wasted. Paraffin was used for candles and chewing gum. Benzene was used in paints and varnishes when the South cut off supplies of turpentine during the Civil War (1861–1865). The only component of oil that had little use in those days was gasoline. (That would change with the advent of the automobile.)

Commodities are articles of trade or commerce that have the same value no matter who sells them, such as silver and gold.

Speculators are people who engage in the buying and selling of a commodity with an element of risk but the hope of a profit.



By the mid-1800s, John D. Rockefeller was on his way to owning nearly 90 percent of the oil refineries in the United States.

Standard Oil is compared to an octopus in this editorial cartoon, in which the creature's arms control different industries as well as political power.

Rockefeller obsessed about efficiency and cost yet could envision great expansion. By 1865, the company turned out 500 barrels of refined oil a day, making it one of the largest refineries in the country. And with Rockefeller's attention to money, it was consistently profitable.

Clark introduced two of his brothers to the business, but they didn't get along with Rockefeller. Rockefeller eventually bought out the Clarks. He formed a new business with Andrews, named Rockefeller & Andrews, which continued Excelsior's work. In 1866, the company sales totaled $1.2 million. Soon Rockefeller and Andrews focused on a second refinery and established a third business in New York to concentrate on overseas oil brokerage and sales. Rockefeller's younger brother, William, headed up the New York office.

The oil industry was unstable, and every time someone discovered a new source of oil, prices dropped. Rockefeller thought about the long-term health of the industry. He began to see it in a new light—as a combination of wells, refineries, and distributors. In 1870, he formed the Standard Oil Company in Ohio and installed himself as president. Backed by a million dollars of investment, the new company was a small empire that controlled 10 percent of the oil business. It owned plants, warehouses, shipping facilities, and tank cars.

Rockefeller strengthened ties to the Erie, New York Central, and Pennsylvania railroads to make oil shipments easier. He went to each of

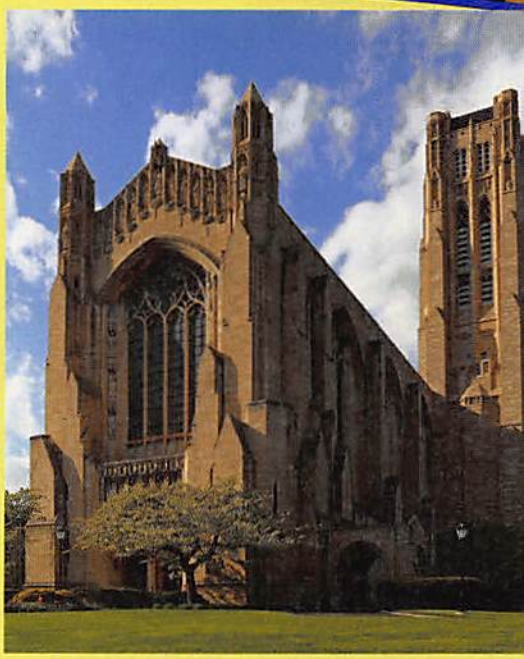
his 26 Cleveland refinery rivals to get them to sell him their interests. The oil business had grown complicated and expensive, so some smaller companies were glad to sell. But others felt forced to sell. Rockefeller assumed control of 22 of those refineries in early 1872. He said of the emergence of Standard Oil, "We had to do it in self-defense. The oil business was in confusion and daily growing worse. Someone had to take a stand." By the end of the 1870s, Standard Oil controlled 90 percent of America's oil refineries and a third of all oil wells.

Rockefeller continued to buy businesses until Standard Oil grew to 41 separate entities and had a monopoly on the oil business. Then, in 1882, the Standard Oil Trust was created. The trust was remarkably successful and profitable in its control and consolidation of the oil industry, and it provided an example for other industries to establish monopolistic trusts. But the public turned against Standard Oil. People felt it was too aggressive in its efforts to be the nation's sole oil provider. First the state of Ohio and then the federal government ordered the company to break up. Standard Oil's monopoly was broken, but its pieces still exist in many of the oil companies we know today, including ExxonMobil. $

Barbara D. Krasner remembers Esso gas stations (the precursor to Exxon), Standard Oil of New Jersey, and the oil refinery in Linden. She is a frequent contributor to *COBBLESTONE*.

The Rockefeller Legacy

Raised in the Baptist tradition, John D. Rockefeller believed in service. And after journalist Ida M. Tarbell's articles were published (see page 22), he devoted himself to philanthropy. As his biographer noted, "The fiercest robber baron had turned out to be the foremost philanthropist." He donated significant amounts of money to education and medical research. In 1901, he founded The Rockefeller Institute for Medical Research in New York City. The institute became Rockefeller University. He gave millions of dollars to the University of Chicago, which began as a small Baptist college. He founded Spelman College and named it for his in-laws. He also gave $550 million in 1913 to start the Rockefeller Foundation. It still serves the arts, public health, and medical training fields. John D. Rockefeller, Jr., who managed the family's fortune after his father died in 1937, funded the restoration of Colonial Williamsburg in Virginia. **—B.D.K.**



The Rockefeller Memorial Chapel at the University of Chicago today serves as both a spiritual center and a performing center.

Ida

When Ida M. Tarbell's mother warned her not to play in puddles, she was not talking about mud puddles. She meant the pools of black oil gushing from the oil well by their front door. In 1860, three-year-old Ida lived near Oil Creek in western Pennsylvania. Oil had recently been discovered in the area.

Hoping to make a profit, Ida's father started a small oil company. His business prospered for a number of years. Then John D. Rockefeller formed a group of oil producers into a trust and called it Standard Oil Company. The trust's enormous size and power allowed it to sell its oil for less. It forced smaller companies out of business. Ida's father's company was one of those.

When Ida grew up, she became a famous *muckraking* writer for *McClure's Magazine*. Remembering how Standard Oil had crushed her father's business, she decided to uncover the story behind the company's success. By 1900, Standard Oil was the largest trust in the country. Many people discouraged Tarbell from exposing the secrets of the powerful monopoly.

But Tarbell planned to present a fair and accurate picture of the company. How could Standard Oil object to that? For two years, she interviewed people and searched through piles of documents and testimony. Some important papers had been destroyed or hidden, but Tarbell did not give up until she had all the facts.

Tarbell learned that Standard Oil had used unfair and dishonest practices to expand its business. For example, Standard Oil arranged illegally with the railroads to get cheaper delivery rates. Also, when other companies

Muckraking describes the effort to search for and expose misconduct in public life.

Takes Aim

by Ruth Spencer Johnson

Ida M. Tarbell (OPPOSITE) wanted to explore Standard Oil's rise in the oil industry. Her research revealed how John D. Rockefeller became a giant in the business by using unfair practices to gain an advantage over smaller businesses (ABOVE).

shipped oil, the railroads passed on part of the payment, called a refund, to Standard Oil. These advantages allowed the trust to set its prices so low that smaller companies could not compete for long and were forced to go out of business. Standard Oil even used spies: It paid railroad employees to report the scheduled shipping dates of other oil producers. Standard Oil then forced the railroads to stop those shipments.

In November 1902, Tarbell's first article appeared in *McClure's*. Eventually, 19 installments of "The History of the Standard Oil Company" ran in the magazine. In 1904, the articles were published as a two-volume book.

Tarbell was surprised at the backlash caused by her articles. She said, "I was willing that [Standard Oil] should combine and grow as big and wealthy as [it] could but only by legitimate means. But [the company] had never played fair, and that ruined [its] greatness for me." She called for the American people to take a stand against greed and dishonesty.

Tarbell's revelations made Standard Oil the focus of state and federal government investigations. In 1911, the U.S. Supreme Court ordered Standard Oil to break up into smaller companies. Independent oil businesses would no longer have to struggle against powerful oil trusts.

Tarbell and the other investigative journalists of that era played important roles. They drew attention to the problems confronting American society in the early 20th century. Instead of writing about big, complex economic issues, they focused on a single industry, city, or person. Thanks to their efforts, the public became informed and aware about issues that were real and personal. Armed with well-researched information, the concerned public then demanded changes. $

Ruth Spencer Johnson is a native of Indianapolis and a freelance writer with a special interest in American and English history.

Did You Know?

illustrated by Chris Ware

In the 21st century, new fields have produced some of the world's wealthiest individuals. Are they robber barons or captains of industry?

Investor Warren Buffet is chairman and chief executive officer of Berkshire Hathaway, a public holding company. With Bill Gates, Buffet established the "Giving Pledge" campaign, which calls on the world's wealthiest people to promise to give at least half of their fortunes to charity.

Steve Jobs was the co-founder, chairman, and CEO of Apple, Inc. After guiding the company through the personal-computer revolution, he led the company to success with popular Apple products, such as the iMac, iPod, and iPad. Jobs was not known for being a public philanthropist.

Bill Gates is the co-founder of Microsoft, the largest personal-computer software company. In 2008, Gates devoted himself full time as co-chair of the Bill and Melinda Gates Foundation, a charitable organization. With Warren Buffet, he established the "Giving Pledge."

Mark Zuckerberg is co-founder, chairman, and chief executive of Facebook, the social networking Web site designed to have information flow between people. He has donated to some specific charities, including $100 million to Newark, New Jersey's public school system. He also has signed the "Giving Pledge."

Jeffrey Preston Bezos is the chief executive officer of Amazon.com, the on-line retail company. Bezos has donated money to aid research for the fight against several forms of cancer.

Sergey Brin and Larry Page are the co-founders of Google, the Internet service company. The company began a nonprofit to raise awareness about global issues, such as climate change, public health, and poverty. Google donated $1 billion to get the nonprofit started.

Name That Self-Made

Can you match each name at the top of these pages with the famous industry or entity founded by that business leader? And what do you think of their lasting impact? Answers on page 48.

Richard Sears
(1863–1914)

Leland Stanford
(1824–1893)

Gustavus Swift
(1839–1903)

Henry Morrison Flagler
(1830–1913)

Charles Pillsbury
(1842–1899)

Marshall Field
(1834–1906)

Man

by Andrew Matthews and Marcia Amidon Lusted

A. With his uncle John, this man started flour milling in Minneapolis in 1869. They used the most modern technology, including a machine that produced flour with few lumps and impurities. For many years, their "A" mill was the largest in the world, producing 10,000 barrels of flour a day. They believed in working closely with the farmers and employees who helped make their mills successful.

B. He began his mail-order business by selling a box of gold watches that had been left at the railway station where he worked. With his partner, Alvah Curtis Roebuck, he was soon selling clothes, tools, and household appliances through a catalog. The 1,000-page catalog was known as the "Farmer's Bible" because it contained practically everything rural families needed.

C. This entrepreneur became a leader among meatpackers by building a plant in Chicago, rather than on the East Coast. His factories killed and cleaned the cattle in the Midwest and shipped the meat east in refrigerated cars. He also built, and thereby controlled, his own railroad cars, wagons, and warehouses to transport and store his beef. A frugal businessman, he spent less money on livestock food and transportation than his competition spent. He therefore offered lower prices for customers.

D. This man took the concept of the old general store and transformed it into a whole new shopping experience that catered to women. His six-story retail store was one of the first to introduce helpful services such as restrooms, a restaurant, a nursery, and telephones. It became an inviting place for Chicago's ladies to shop, and his innovations helped turn shopping into a leisure activity. He also was one of the first department store moguls to create magical holiday displays in his store windows.

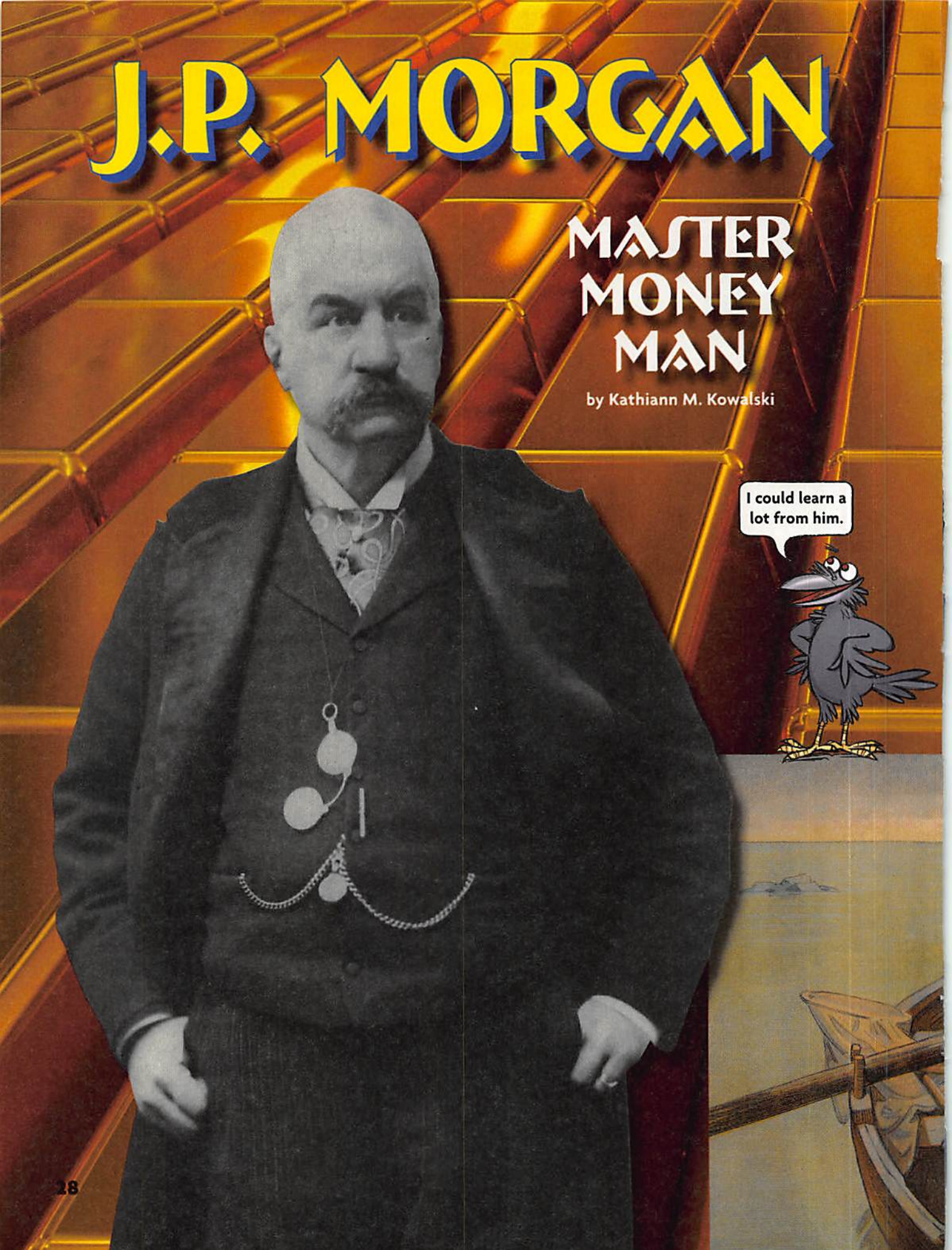
E. This entrepreneur got his start with the Standard Oil Company, but he is best remembered for seeing Florida's potential as a tourist attraction. He invested in both railways and hotels. His Florida East Coast Railway System and the Over-Water Railroad connected distant Key West to mainland Florida by 1912. The railway was the biggest engineering feat ever undertaken by a private individual. It was eventually modified for cars and became the Overseas Highway.

F. After earning a fortune as a storekeeper during the California gold rush, this businessman was elected the eighth governor of the new state as well as the president of the Central Pacific Railroad in 1861. He invested in the Central Pacific and was present in 1869 when its tracks met the Union Pacific's to create the first transcontinental railroad. In memory of his son, who died as a teenager, he established a famous university in California. It still bears his family name.

J.P. MORGAN

MASTER MONEY MAN

by Kathiann M. Kowalski



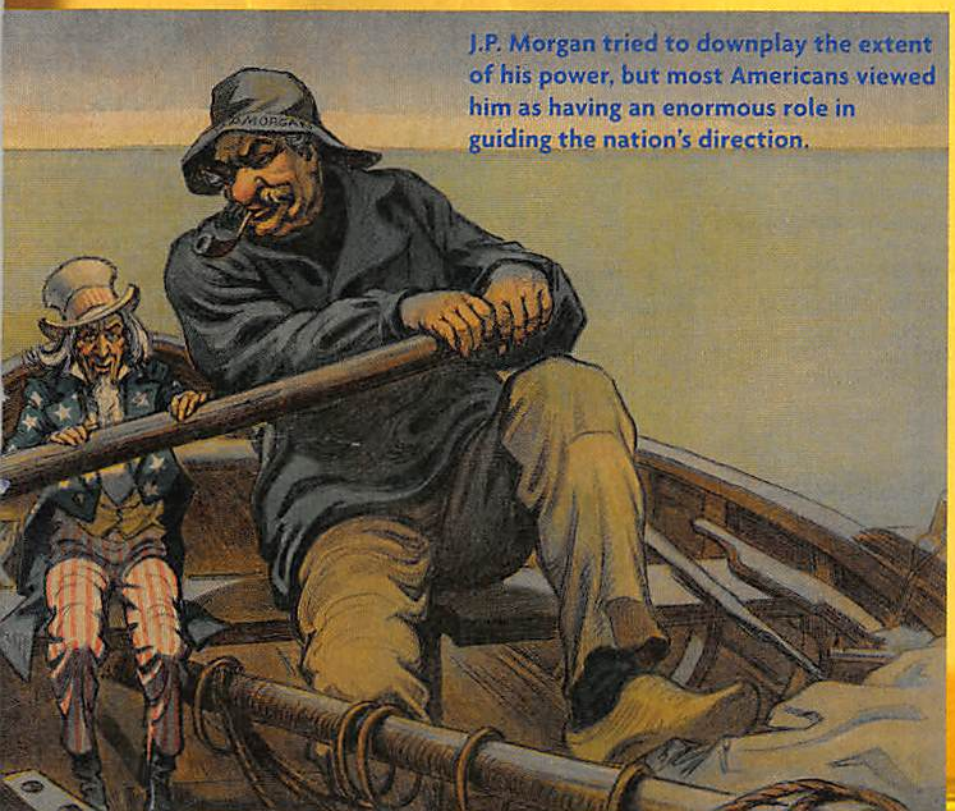
As a boy, J.P. (John Pierpont) Morgan's classmates knew him as "Pip." By the early 20th century, Americans knew him as one of the world's most powerful men.

Born in 1837, Morgan grew up in Hartford, Connecticut, and then Boston. Unlike most other captains of industry, he came from a well-to-do family. His family rode in style on passenger trains. They traveled and toured Europe. After his father took a banking job in London, the family moved to England. Morgan continued his education in Switzerland and Germany.

After college, Morgan began working for the New York bank that handled American business for his father's firm. He started making his own deals. Once, he got the New York bank to buy a shipload of coffee without getting prior approval. Then he resold the coffee at a profit. In 1862, he started J.P. Morgan & Company. His new company continued to do work for his father's firm.

Meanwhile, the Civil War (1861–1865) offered opportunity for those willing to take it. In 1863, Morgan and a man named Edward Ketchum quietly bought about $2 million in gold. Then they publicly shipped about half of it to England. The move created an instant gold shortage in the United States and threatened to collapse the American financial system. Morgan and Ketchum quickly sold the rest of their gold for a huge profit.

Like some other captains of industry, Morgan saw value and profit in expanding the nation's railways. Railroads became a big part of his business. He rescued the Albany and Susquehanna Railroad from takeover by industrialist Jay Gould (see page 15). He arranged the sale of a huge block of shares for New York Central Railroad magnate William Vanderbilt (son of Cornelius "Commodore" Vanderbilt, see page 6).



J.P. Morgan tried to downplay the extent of his power, but most Americans viewed him as having an enormous role in guiding the nation's direction.

Morgan also joined together the Northern Pacific Railroad and four other railroads to form a trust called the Northern Securities Company. Its goal was to promote cooperation—and reduce competition—on routes from Chicago to the Pacific Northwest.

Morgan and his company invested in other industries, too. In 1892, he merged Edison General Electric Company with Thomson-Houston Electric Company. The new company became General Electric. In 1901, Morgan bought the Carnegie Steel Company. He merged it with several other companies to form America's first billion-dollar corporation—United States Steel.

In 1906, Morgan and other bankers underwrote a huge bond issue for American Telephone & Telegraph Company. He also reorganized the company to operate nationwide. That company, AT&T, dominated American telephone communications until the 1980s.

Morgan's work in forming and financing huge businesses made a lot of money. However, he wanted that money to stay stable for the long term, too. After the financial panic of 1893, the government's gold reserves fell as worried investors sold stocks and bought gold instead. In 1895, Morgan and other bankers agreed to loan the government up to $100 million in gold. The action helped restore confidence in the country's currency system.

In 1907, stock prices fell rapidly. As a national financial disaster loomed, Morgan again stepped in. First, he and John D. Rockefeller loaned millions of dollars to the

Trust Company of America to save it from failing. Morgan also organized more than a dozen banks to work together to loan $25 million to keep the New York Stock Exchange open.

Morgan's actions sometimes drew fire from the government, however. In 1902, President Theodore Roosevelt sued under the Sherman Anti-Trust Act. In effect, the law let the federal government break up trusts that prevented competition or restricted trade. The Supreme Court determined that Morgan's Northern Securities Company violated the anti-trust law. As a result, it had to disband.

Government distrust of concentrated corporate power grew. In 1912, Morgan found himself before Representative Arsene Pujo's congressional committee. It found that Morgan's partners and the leaders of a few other banks held 341 director positions in 112 corporations. Those companies dealt in mining, manufacturing, transportation, and other businesses. The companies' worth exceeded $22 billion. At the time, America's gross domestic product—the total of all goods and services produced in the country—was just over $37 billion.

Committee lawyer Samuel Untermyer questioned Morgan about his extensive power in banking and various other businesses. Morgan downplayed his personal control. He also tried to dismiss concerns about concentrating business interests.

In Morgan's view, building and merging huge companies helped the economy grow. It also avoided waste through cutthroat competition and duplication of efforts. And while Morgan profited from many decisions, he insisted his main motivation was what was good for America. "If it is good business for the interests of the country to do it, I do it," Morgan said.

The committee and others disagreed about concentrating so much corporate power in a group of bankers. Morgan died in 1913 while traveling in Europe. Just a few months later, Congress created the Federal Reserve Bank and the Federal Reserve System. These institutions gave the federal government oversight of the nation's banking system.

Yet Morgan had made his mark. His decades of deals established banking as a big business that eventually dominated America's economy. $

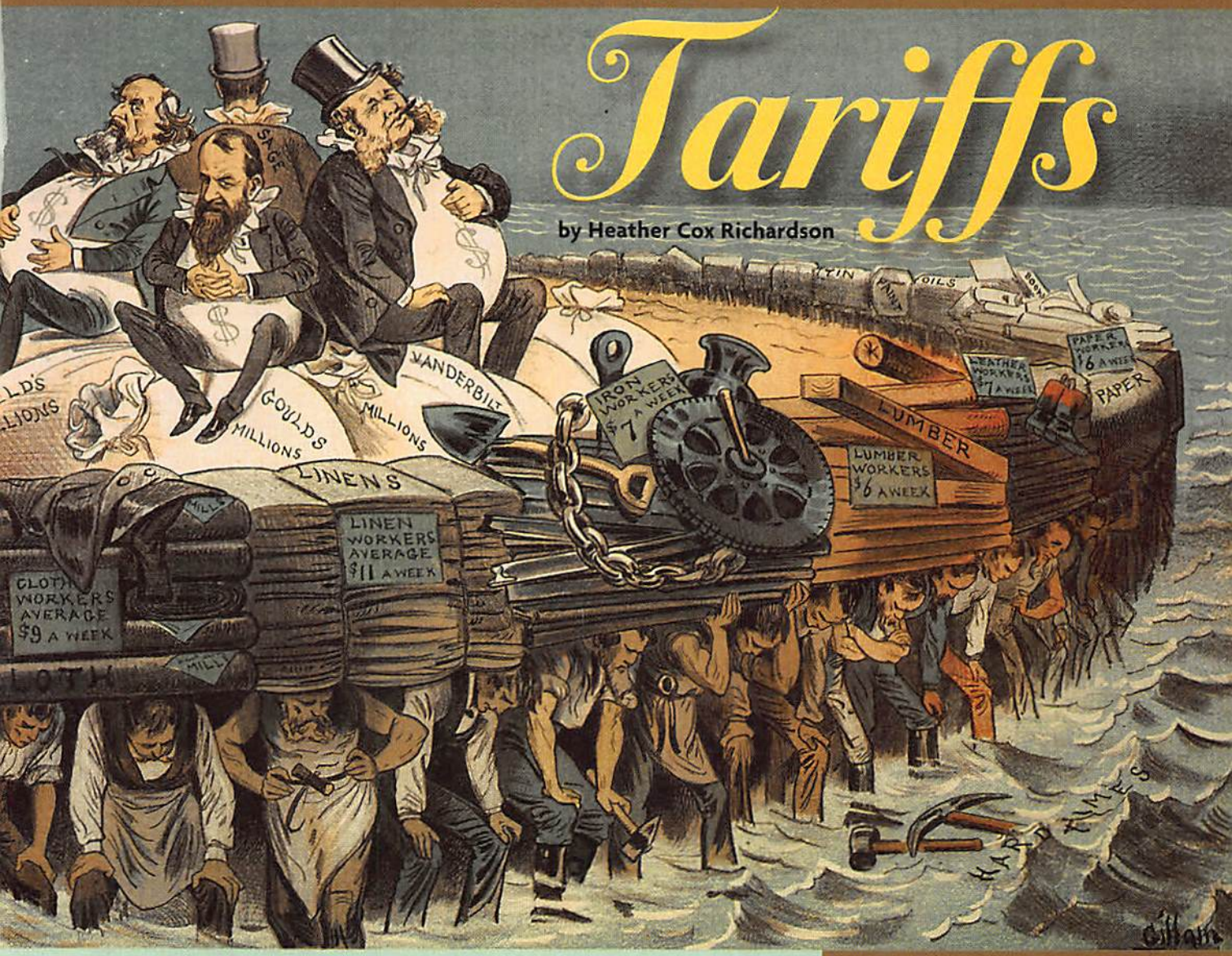
Kathiann M. Kowalski is an attorney and author who writes often for *COBBLESTONE* and other ePals Media magazines.

The Morgan Legacy

No price is too high for an object of unquestioned beauty and known authenticity," J.P. Morgan said. He could afford beautiful things. He spent about two thirds of his wealth collecting fine art and rare books. Morgan's private library became a public institution in 1924, and today the public can enjoy most of his vast collections at the Morgan Library and Museum in New York City. Its holdings include ancient and medieval manuscripts, Gutenberg Bibles, and first editions of famous authors' books. Morgan also collected Egyptian, Islamic, Chinese, and Renaissance art. The public can view thousands of those unique artifacts at New York's Metropolitan Museum of Art, which received them as gifts. **—K.M.K.**

A Tale of *Tariffs*

by Heather Cox Richardson



By the late 1800s, a wide divide existed between the wealthiest and the poorest Americans. This editorial cartoon conveys the situation by showing rich and fat industrialists riding a raft that is resting on the backs of workers.

The United States experienced an industrial revolution in the decades following the Civil War (1861–1865). Time, energy, and money were focused on new industries and new products. Those changes also brought some Americans more spending money and more leisure time than any generation had ever had before. Far-flung and profitable railroad, oil, and steel operations were just a few of the many businesses that needed middle managers to oversee production and sales and then report back to the owners.

These new *white-collar* workers earned steady incomes and enjoyed free time. They bought nice clothing, went to the theater, and had time to read novels. Their wives played "lawn tennis." Their children had ice cream to

White-collar workers are people who perform jobs that do not require manual labor and who are expected to dress somewhat formally.

These two drawings attempted to influence Americans about the difference between a low tariff (TOP) and a high tariff (ABOVE). The family in the first illustration is large, well-to-do, and comfortable. The family in the second illustration is trying to pay bills in the dark.

eat, toys to play with, and parties to celebrate their birthdays. For these families, big business brought new levels of comfort and entertainment.

But big business brought grinding poverty to others. People sweated and labored in factories for long hours and low wages. They had nowhere to turn if they were laid off or were injured on the job. Small entrepreneurs, unable to compete with large monopolies, were forced out of markets. By 1880, workers scraping to get by had had enough. They resented the power and wealth enjoyed by the big industrialists. They focused their anger on the fact that industry enjoyed enormous protection by the government through a law called a tariff.

Tariffs were essentially taxes on imports, or foreign products coming into America. No matter how cheaply a product could be produced outside the United States, the addition of tariff fees to their selling costs made them more expensive than American goods. Tariffs limited the amount of foreign goods that were imported and that might compete with American products. With foreign competition restricted, the leaders in American manufacturing could work together to set whatever prices they wished within an industry.

Workers, who felt pinched in the post-Civil War economy, resented the fact that tariffs kept prices artificially high within the United States. It seemed unfair that the government enacted laws to ensure that thriving businesses made huge profits while workers scraped by on pennies. To add insult to injury, some of the wealthiest industrialists, such as John D. Rockefeller and Cornelius "Commodore" Vanderbilt, lived in mansions in New York City and vacationed in their 70-room "cottages" in Newport, Rhode Island.

No one really knew what to do about the great divide between huge fortunes and great poverty. When the Founding Fathers had written the Constitution, no one foresaw such extremes of wealth. Many people felt that the government had to do something to stop industrialists from joining together to set prices that made them so rich. Others pointed out that the Constitution gave the federal government no power to break combinations of businessmen.

The Constitution did give Congress the power to regulate tariffs. So, beginning in the 1880s, Americans who resented the rise of big business demanded that Congress lower the tariffs that kept foreign products out of the country. Foreign competition, they thought, would break the monopolies American businessmen used to control the economy.

For the rest of the 19th century, tariffs were the central issue in American politics. Debates over tariffs were really fights over whether the government should protect business or workers when it developed

economic policy. Republican congressmen backed high tariffs. They insisted that supporting business would guarantee a healthy economy, and workers had a better chance of finding jobs in a strong economy. Democratic congressmen wanted to lower the tariff. They insisted that competition and lower prices gave average people greater opportunity to buy goods and services.

Republicans had adopted the nation's system of extensive tariffs in 1861 to develop new businesses and to raise money to pay for the Civil War. From 1861 to 1875, Republicans controlled every branch of the national government. Defending tariffs became an important part of the party's platform. In 1875, however, Democrats took control of the House of Representatives, and Republicans got nervous. They focused all their energy on staying in power so they could keep the tariffs high. They insisted that, if elected, Democrats would destroy the economy by lowering tariffs.

Then, in March 1913, Democrat Woodrow Wilson was sworn in as president. He supported tariff reform, and he worked with a Democratic Congress to lower the tariffs. They established taxes to generate revenue for the government instead. The fight over the government's role in the economy switched from tariffs to taxes.

Few Americans today remember why tariffs were so important in the late 19th century. But to people who lived after the Civil War, tariffs were at the very heart of the issues raised by the new era of industry and the captains of industry who benefited from it. Tariffs symbolized a much larger struggle between rich and poor, employers and workers, capital and labor in the rapidly expanding American economy. $

Heather Cox Richardson is a professor of history at Boston College and the consulting editor for this issue.

A rescue dog brings a tariff reform bill to the aid of "Labor" (the man stuck in the snow) in this illustration about tariff relief in the late 1800s. Grover Cleveland (portrayed as the monk) was the first Democratic president to be elected after the Civil War, and he supported lowering the Republicans' protective tariffs.

Business Ethics

by Kathiann M. Kowalski

The 19th century's captains of industry were ruthless in their business dealings. Some built fortunes by bribery and fraud. Others manipulated markets. And almost all aimed to cut out unwanted competition. No wonder critics called them "robber barons"! Bad behavior in big business still happens today. Ultimately, such conduct can hurt all of us.

Some unethical actions are outright illegal. Former stockbroker Bernie Madoff is serving a 150-year prison sentence. He pled guilty to stealing $17.5 billion from thousands of people. *Securities* fraud has landed other business leaders in jail. It is illegal to conspire to make stock seem more valuable than it is. Insider trading is also a crime. It involves buying or selling securities based on confidential, nonpublic information.

Other actions can trigger civil lawsuits. In 2001, Microsoft agreed to settle an anti-trust lawsuit. The federal government and several states had claimed that the company unfairly stifled competition.

"About 90 percent of the time, the law tracks really well with what's ethical and what's not," notes business professor Robert Prentice at the University of Texas at Austin. But what about behavior that is legal but seems morally wrong?

Goldman Sachs aroused public anger in 2013. One of its companies had trucks repeatedly move tons of aluminum from one warehouse to

another. *The New York Times* reported that the "shuffle of aluminum" made millions of dollars. It exploited *loopholes* in pricing rules. The arrangement also artificially restricted the market supply, which could raise prices. The scheme may not have broken criminal laws. But, says Harvard business professor Sandra Sucher, "It is morally wrong."

Another example comes from the lead-up to America's 2008 financial crisis. Large financial companies bundled many bad debts together. Then they sold interests in them. Buyers didn't understand the risks, but the sellers made money. When buyers finally realized they held worthless debt, the stock market fell sharply. Many Americans lost their savings and investments.

Afterward, the U.S. Treasury Department and Federal Reserve Bank loaned billions of dollars to keep large banks going. Then, as if adding insult to injury, several bailed-out companies gave huge bonuses to their executives. While the financial leaders did not technically break laws, their focus only on making a profit created the recent Great Recession.

Global trade complicates matters. Many companies have goods made overseas. The products cost less because of lower wages and less government regulation in certain foreign countries. As a result, the practice boosts business profits and keeps consumer prices low.

However, foreign working conditions can be dangerous. In April 2013, hundreds of people died when a Bangladesh factory collapsed. Its workers made clothes for major American and European companies.

"[The American business owners] don't own the factories, and the employees in them don't work for [the business owners]. Does that mean they have no responsibility for the conditions under which the clothes are made?" asks Sucher.

Also, think about doing business in a country where bribery is routine. A company wants to compete effectively. Yet, under U.S. law, says Prentice, "you can't pay bribes to get a business advantage."

Good people want to do the right thing, says Prentice. "But it's harder to do than you think in situations where you're trying to please the

Securities include stocks, bonds, commodities, and various other investments.

Loopholes are ways of avoiding a difficulty due to unclear or vague wording in a law or contract.

boss." Business leaders face multiple responsibilities. Ideally, they obey laws and do what's good for society. At the same time, they must compete effectively and make a profit. After all, corporate leaders also have duties to shareholders.

"An ethical decision that ends up putting a company out of business is not good, since it does not respect the responsibilities that business people have to build sustainable organizations," says Sucher. Ethics "shouldn't be viewed in the abstract, as if managers don't have other responsibilities as well.

"Ethical considerations are part of business decision-making," stresses Sucher. Business leaders should consider several questions: Are they comfortable with the consequences of their actions? Are they fulfilling commitments and duties owed by them and their businesses? Are they respecting others' rights? Are they respecting *community norms?*

"Finding people or organizations that are all good or all bad is also not that easy," adds Sucher. Indeed, "some businesses and businesspeople do an enormous amount of good."

In 1998, for example, a *BusinessWeek* writer called Microsoft chairman Bill Gates a robber baron. At that time, the government's anti-trust case against the company was pending. By 2006, Gates and his wife's philanthropy earned them honors as two of *Time* magazine's "people of the year." The Bill and Melinda Gates Foundation promotes education and fights deadly disease worldwide.

In any case, says Prentice, the way people do business matters. "Unethical activity undermines trust. If people are acting unethically in a commercial realm, then nobody trusts anybody else."

Trust affects a company's reputation and customer loyalty. Plus, says Prentice, "Trust is the key thing that helps countries be prosperous."

In 10 years or so, you'll probably start working and making your own business decisions. What choices will *you* make? To learn more, watch the videos at Ethics Unwrapped, ethicsunwrapped .utexas.edu. $

Community norms are behaviors a society expects based on its values.

Bill Gates is considered a modern captain of industry in the technology world.

BIG SCANDALS

by Peter Barnes

One of the worst scandals in big business occurred more than 150 years ago. At first, the U.S. government had a *laissez faire* policy toward business. The belief was that business would grow best if left alone by the politicians and government. In reality, however, big business and government were linked closely and engaged in questionable deals. The U.S. Senate included many wealthy businessmen. Many big companies received special treatment from government officials. In return, officials profited through loans, tax breaks, and land grants.

Then came the Credit Mobilier of America scandal. In the mid-1860s, the Union Pacific Railroad was hired by the U.S. government to build part of a transcontinental railroad from Omaha, Nebraska, to San Francisco, California. When Union Pacific got into financial trouble, its directors created a *sham* construction company named Credit Mobilier. Union Pacific executives used government bonds to pay this newly created company (which they controlled) for materials and labor, thereby keeping profits for themselves.

The scandal worsened. Hoping to block an investigation, Massachusetts representative and Union Pacific director Oakes Ames began selling Credit Mobilier stock at a discounted price to his fellow congressmen. He made huge profits for his political friends and himself. Questions began to be raised. It did not seem proper for congressmen to own shares in a company they were supposed to be regulating.

A newspaper article in 1872 finally revealed the extent of the corruption in the scandal. While Americans were shocked, the actions of the officials technically were not illegal. But government regulation of big business would be a major issue in the 20th century.

Laissez faire is an economic policy that opposes government regulation or interference in a free enterprise system.

Sham describes something false that is claimed to be genuine.

MEN OF F

Can you solve this crossword puzzle about the people who were, are, or were connected to America's business leaders? All the clues are taken from this issue. Answers are on page 48.

ACROSS

2. Henry Morrison _____'s lasting contribution was a railway that connected Florida's keys to the mainland.

4. Andrew _____ was known as the "Steel King."

7. Steve _____' pivotal role as head of Apple, Inc., earned him captain-of-industry status.

8. Gustavus _____ became a leader in the meatpacking industry.

9. Marshall _____ built an empire with his department stores.

10. J.P. _____ made a fortune in banking and arranging financial deals.

13. Ida M. _____'s investigative journalism revealed the unfair business practices of the Standard Oil Company.

14. Jay _____ helped the federal government line up financing for the Civil War.

DOWN

1. Cornelius "Commodore" _____ made his fortune by investing in methods of transportation.

3. Charles _____ started a profitable flour-milling business.

5. John D. _____ struck it rich with oil.

6. Along with his partner, Jim Fisk, Jay _____'s attempt to corner the gold market in 1869 resulted in a national financial panic.

8. Leland _____ supported the Central Pacific Railway, which built the western portion of the first transcontinental railroad.

11. Modern-day captains of industry, such as Bill _____, have made vast fortunes in the field of information technology.

12. Richard _____ began a mail-order business that helped rural families.

ORTUNE

Crossword Puzzle

by Will Bremen

Going Global

by Marcia Amidon Lusted illustrated by Bryan Langdo

POWERFUL Families

Strong individuals who established powerful families wielded enormous political and financial power and made lasting impressions around the world. Take a look.

Meet the Medici

When we think of Florence, Italy, in the 15th century, one family quickly comes to mind. The Medici controlled the banking industry, supported the arts and humanities, and saw three family members become Catholic popes. Although technically not royalty, the Medici family ruled Florence as if they were. They also transformed their city into the cultural center of Europe. Thanks to the support of the Medici, artists such as Donatello, Botticelli, da Vinci, and Michelangelo produced some of their greatest masterpieces. A daughter, Catherine, married the French king Henry II. Three of her sons ruled France. After controlling Florence for almost three centuries, the last member of the Medici family died in 1737 without any heirs. This ended their dynasty but not their legacy.

Investing with the Rothschilds

The Rothschild dynasty traces its origins to the birth of Mayer Amschel Rothschild in Frankfurt, Germany, in 1744. Rothschild built an international banking and financial dynasty with his five sons. He kept the fortune in the family by carefully arranging marriages between close relatives. Several branches of the family were raised to Austrian and British nobility. The Rothschilds often issued loans and bonds to governments and even helped the Bank of England avoid a financial crisis in 1825. During the 19th century, the Rothschilds were the richest business family in the world. As the family grew, however, its wealth became divided among all the members. Today, the Rothschild name is still familiar in finance, mining, and energy companies.

The Onassis Dynasty

Greek tycoon Aristotle Onassis was born in present-day Turkey in 1906. He started small by working as a telephone engineer. By eavesdropping on business calls, he was able to set up business deals of his own and quickly made money. After going into the cigarette manufacturing business, he realized that shipping tobacco was more lucrative. He then focused on a shipping empire and became a millionaire. Onassis was also known for the famous women in his life, including the opera singer Maria Callas and President John F. Kennedy's widow, Jacqueline Kennedy, whom he married in 1968. Onassis died in 1975, but his family legacy has continued through his granddaughter, Athina (one of the wealthiest women in the world), and through a foundation set up in honor of his son Alexander, who died in a plane crash in 1973.

Perfect Day

As I step into the water,
trout dart everywhere to get as far from me as possible.
My fly floats down the river,
on top of the water.
The fish glare at it uncertainly,
not knowing whether it is real or perhaps a fisherman's trap.
Then the line goes taut—
there is a fish on the opposite end.
Back and forth he swims,
growing weaker and weaker with each stroke of his body.
His once spastic nature turns slow
and the tip of the rod has less and less resistance.
Slowly,
I reel him in.
His rainbow body
is slick with mucus.
Every time his scales catch the light,
the reflection blinds me.
I struggle to keep hold of this amazing creature
whose eyes show nothing but fear.
I look at this trout, my trophy.
This fish,
my fish that has outwitted so many anglers,
is a fish that deserves more than to be on my plate.
So,
I set him in the water,
and watch him swim away so another can be as lucky as me.

Shelby Ply
Rolla, Missouri

Solitude

I look up in the sky,
not a cloud in sight to choke it.

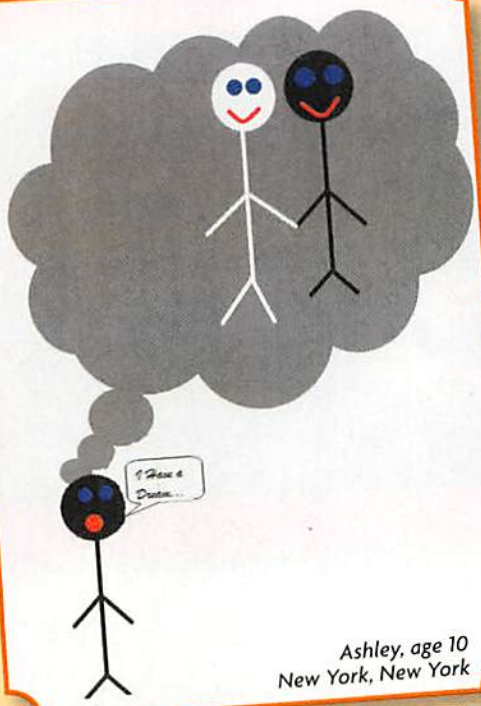
The sun's golden haze
reflects off white sands.

Clear waters kiss the salty shore
and laughter rings
through the brilliant azure sky.

Would you ever feel so happy in your life?
To watch the world be?
To watch it take off and soar?

Rosalia Meusch
Rolla, Missouri

I Have a Dream



Ashley, age 10
New York, New York

My Favorite Season

My favorite season is spring. I like spring because I love the blooming flowers. I also love the raindrops on the roses. Sometimes, cherry blossoms fall to me, and it looks like pink rain. This spring, I want to see tulips in the field and sunflowers reflecting the sun. That's why I love spring!

Caymie Richards
Houston, Texas

Theodore Roosevelt
The Battle of Midway
America the Beautiful

Write to us! Draw a picture or write a poem or short essay that connects to one of the above *COBBLESTONE* themes on which we currently are working. All contributions must be your own, original work. Include your name and address, and a note from a parent, guardian, or teacher acknowledging the originality of your work. We will include as many as we can in the upcoming issue to which your work relates.

Just for Fun

Hey, kids!

We're looking for a funny caption for this photo. Send your idea to: Just for Fun, *COBBLESTONE*, 30 Grove Street, Peterborough, NH 03458. Include a letter from a parent or guardian that confirms it is your original work and that we have permission to publish it. Send your name and address, too. If your caption is chosen, we'll send you a copy of the issue in which it appears.

November/December Winners!

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Dr. D's Mystery Hero

Making Good

by Dennis Denenberg

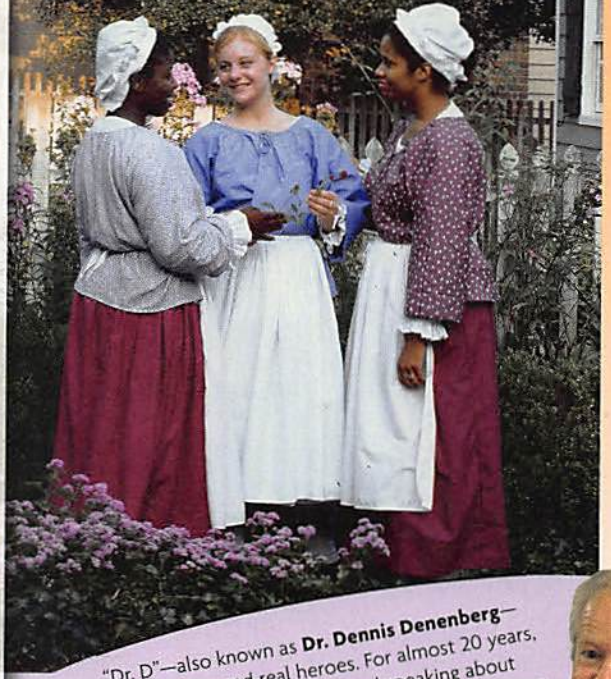
This month's mystery hero was an impressive guiding force. He convinced a captain of industry's son to use his family's enormous wealth to create a lasting legacy for Americans.

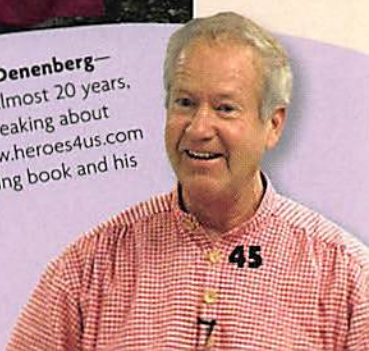
Our hero was born in Richmond, Virginia, in 1869, four years after the Civil War ended. Virginia had been the site of many battles during the four-year war, and the state endured a lot of death and destruction. Richmond, the former capital of the Confederacy, was in ruin. Our hero's father had served as a captain in the Confederate army and had been wounded.

When he was almost two, our hero's family moved to Norwood, near the Blue Ridge Mountains. His mother was a major influence in his early years. She was religious and active in the local Episcopal church. Our hero was fortunate because his family knew that education was the key to a better life for their son. He attended a private school until the area's first public school opened. Our young hero worked at home and in school. He started college at age 16 and then earned his divinity degree by age 24.

As an ordained Episcopalian priest, his career eventually took him to Williamsburg, Virginia. The small town had once been the capital of the Virginia colony. Our hero wanted to restore Williamsburg to its colonial glory days. But he needed huge sums of money to achieve that goal. He turned to John D. Rockefeller, Jr. In the late 1920s, our hero convinced the son of the oil baron that the project was historically important for the entire country.

Our mystery hero's vision and determination, combined with Rockefeller's riches, resulted in a restored Colonial Williamsburg, a place that brings colonial history to life. Today, this remarkable person is known as the "Father of Colonial Williamsburg." Can you name him? Answer on page 48.

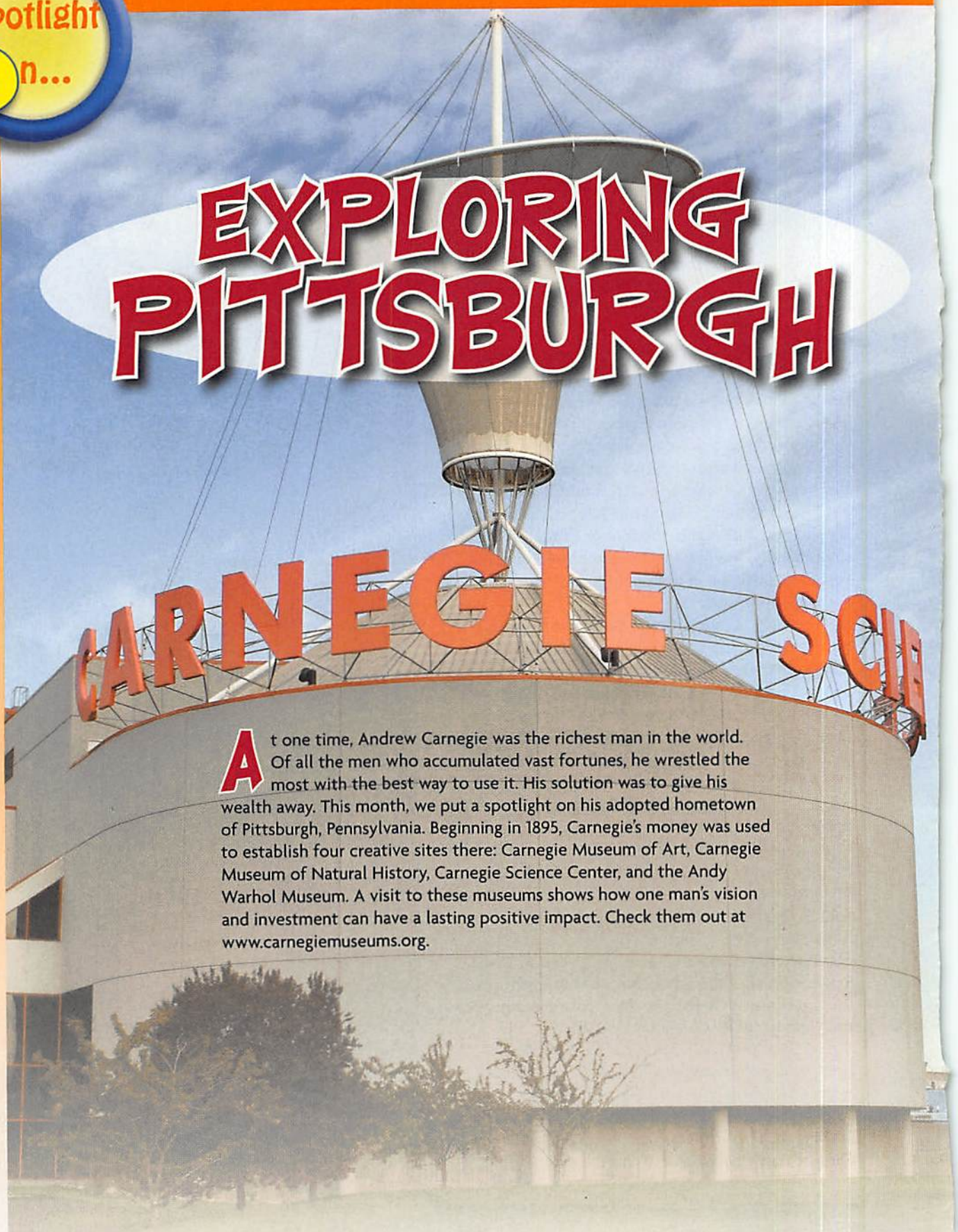




"Dr. D"—also known as **Dr. Dennis Denenberg**—loves history and real heroes. For almost 20 years, he's been writing, teaching, and speaking about heroes all over America. Visit www.heroes4us.com to learn all about his award-winning book and his Hero-Virtue trading cards.

Spotlight On...

EXPLORING PITTSBURGH



At one time, Andrew Carnegie was the richest man in the world. Of all the men who accumulated vast fortunes, he wrestled the most with the best way to use it. His solution was to give his wealth away. This month, we put a spotlight on his adopted hometown of Pittsburgh, Pennsylvania. Beginning in 1895, Carnegie's money was used to establish four creative sites there: Carnegie Museum of Art, Carnegie Museum of Natural History, Carnegie Science Center, and the Andy Warhol Museum. A visit to these museums shows how one man's vision and investment can have a lasting positive impact. Check them out at www.carnegiemuseums.org.

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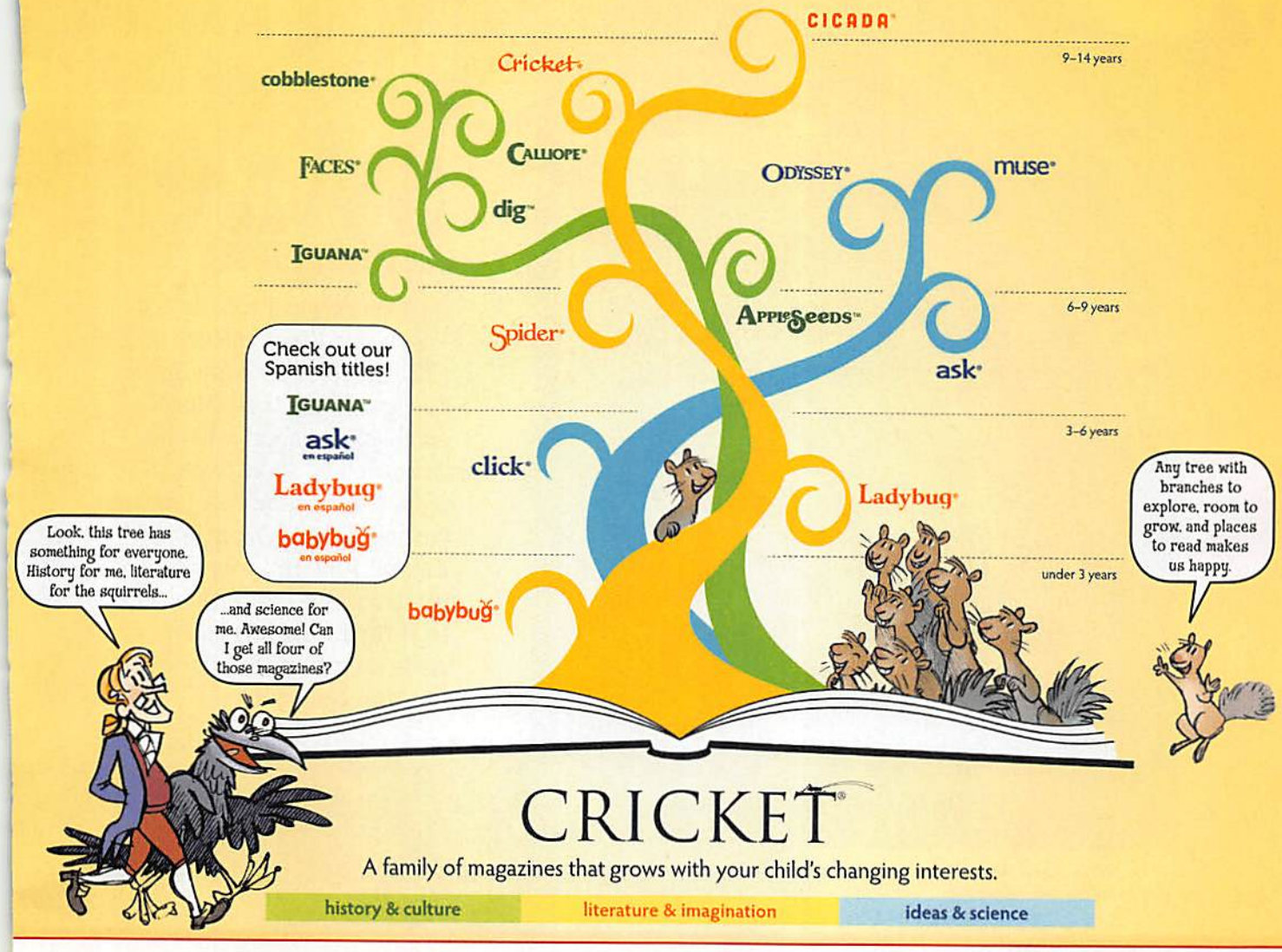

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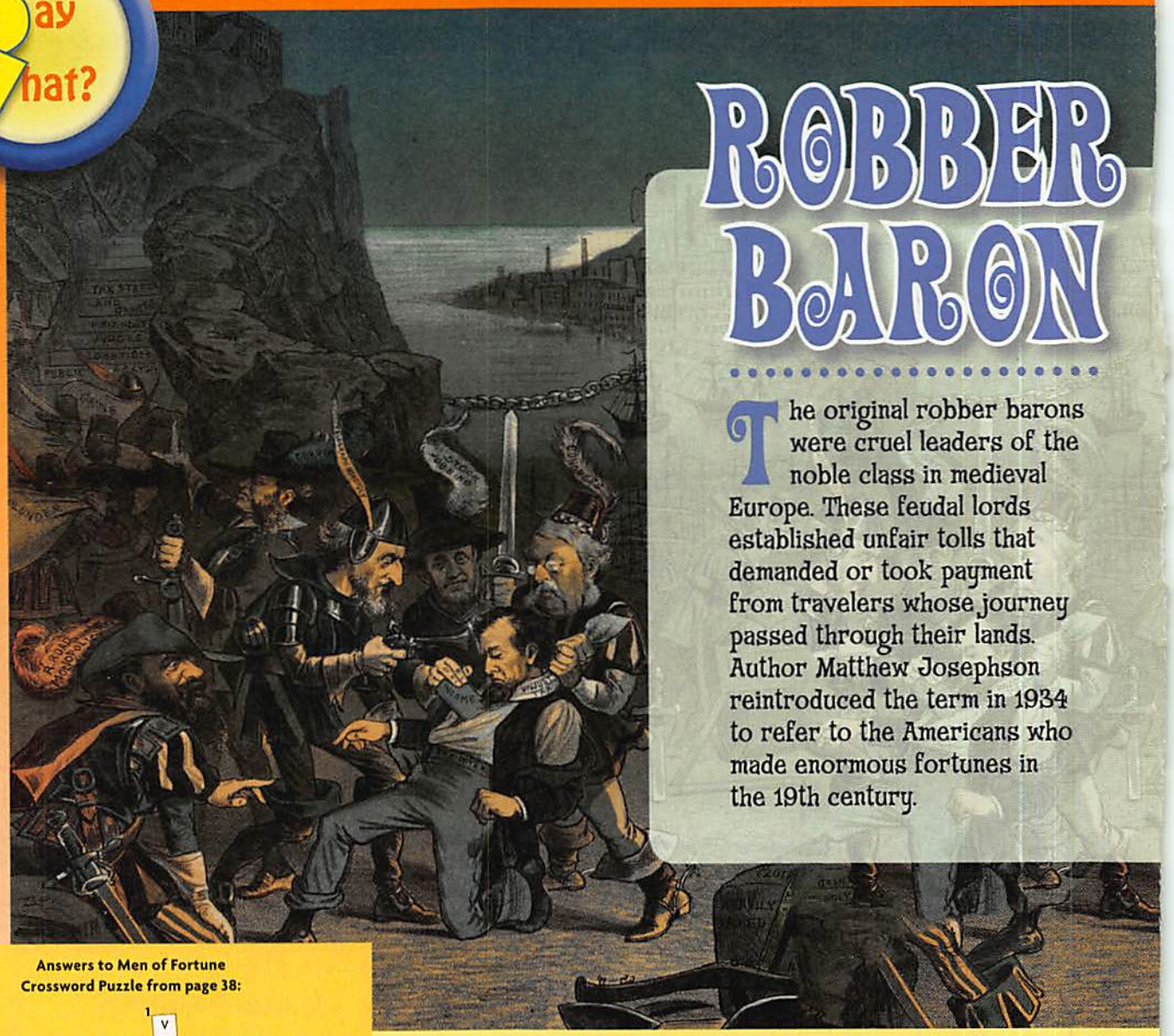
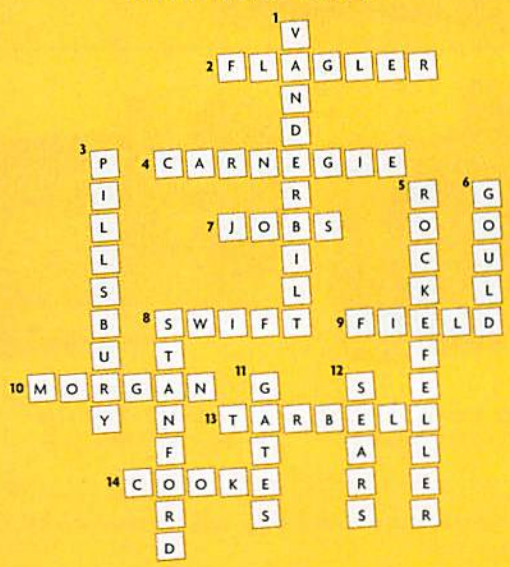


ROBBER BARON

The original robber barons were cruel leaders of the noble class in medieval Europe. These feudal lords established unfair tolls that demanded or took payment from travelers whose journey passed through their lands. Author Matthew Josephson reintroduced the term in 1934 to refer to the Americans who made enormous fortunes in the 19th century.

Answers to Men of Fortune Crossword Puzzle from page 38:



Answers to Name That Self-Made Man from page 26: A. Charles Pillsbury, **B.** Richard Sears, **C.** Gustavus Swift, **D.** Marshall Field, **E.** Henry Morrison Flagler, **F.** Leland Stanford

Answer to Dr. D's Mystery Hero from page 45: The Reverend Dr. William Archer Rutherfoord (W.A.R.) Goodwin

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CAPTAINS OF CRAFTINESS

Creature Feature

Of all the creatures in the animal kingdom, the fox seems most similar to America's captains of industry. Think of the adjectives that are used to describe this animal: resourceful, clever, cunning, adaptable. Red foxes can be found in a wide range of habitats—from forests to mountains to deserts. Their typical diet is small rodents and birds, but they'll eat anything that humans eat. Their young are called kits, and a litter usually consists of between four and six kits. The red fox's long tail is its most distinguishing feature. The tail is longer than half the length of the head and body together. Red foxes have been so successful in adapting to a variety of environments that they are considered a pest in some places.