

- Gospel of Success
 - Post Civil War: success = making money
 - Viewed positively; widely embraced
 - Success linked w/ “qualities of character”
 - Goal = increase profits; acquire material goods
 - Justification = Social Darwinism
 - Developed by Hebert Spencer
 - “Struggle for Existence” applied to economics
 - Advocates demand business left free
 - Most = raised w/ Protestant ethic
 - Schools taught moral code
 - Stressed qualities of character & moral virtues
 - Result = accumulation of wealth = natural, Christian, & progressive
 - Gospel taught another lesson:
 - Individual responsible for own condition
 - Help = interference w/ laws of nature
 - Philosophy hid realities
 - Most experiences contradicted gospel
- Case Study = RRs
 - Few Enterprises more important
 - US joined together as never before
 - Many industries

- Many cities & towns
- Result = RR execs had more power than most “political” leaders
- Power/wealth from growth
 - 1865-1873 = RR mileage doubled
 - Almost all = privately financed
 - Most of RR constructed for profit
- Financial stakes = high
 - Financing & control = fortunes
 - Competition = fierce & ruthless.
 - RR barons = feudal lords
- RRs varied regionally
 - In East = consolidation
 - Ex. Cornelius Vanderbilt & NY Central RR
 - Ex. John Edgar Thomson & Penn RR
 - Titans engaged in cutthroat competition
 - Many lines lost “struggle for survival”
- Transcontinentals
 - Proposed by Dr. Hartwell Carver
 - 1862 - Congress selects Central Route
 - Two corporations
 - Union Pacific
 - Central Pacific

- Huge land grants & generous payments
- Owned by directors
 - » UPRR = Thomas C. Durant
 - » CPRR = Big Four; Collis Huntington
- Profit thru construction
- Unprecedented engineering feats
- Focused on speed
- May 10, 1869 @ Promontory Point
- 3 others Transcontinentals chartered
- CPRR creates “empire”
 - Built by Huntington
- Competes w/UPRR
 - Jay Gould takes over
- Huntington & Gould join forces
- Western lines challenged by northern lines
 - 1st by Northern Pacific RR
 - Henry Villard
 - Villard challenged by James J Hill
 - Creates Great Northern RR
 - Forges alliance w/ JP Morgan & Co.
- Stage set for massive battle among RR titans

- Hill vs. Edward Harriman
- Harriman forges alliances
 - Kuhn, Loeb, & Co. & Standard Oil
- Stage set for one of greatest financial contests of 20th Century
- Titanic Wall Street battle ruins many investors
- Nov 1901 – largest merger in US history
 - Northern Securities Company
- 1902, TR's DoJ pursues litigation under Sherman Anti-Trust Act
 - *Northern Securities Co. v. US* (1904)
- Case Study #2 - Heavy Industry
 - RR growth tied to Northern industry
 - Corporations use same techniques as RR
 - Profits used to expand businesses
 - New men emerge; vie for control
 - John D. Rockefeller & Standard Oil
 - Archetype for American industrial success
 - Standard Oil in Ohio in 1870
 - Accomplished thru *cutthroat competition*
 - Used volume to pressure RRs
 - » Ex. *rebates*
 - Used techniques to control all associated industries

- Standard Oil targeted by DoJ
 - *Standard Oil v. United States (1911)*
- Andrew Carnegie & Carnegie Steel
 - Carnegie = RR investor
 - 1873 – builds Thomson Steel Works
 - Adopts Bessemer Process
 - Success from management techniques
 - Also salesmanship
 - Utilizes “*vertical integration*” technique
 - 1901, sells to JP Morgan
 - Competes w/ Rockefeller
- Conglomeration: Panics, Trusts, & Banks
 - US economy transformed
 - Dominates many sectors
 - No one questiones “the system”
 - Booms & Busts = natural
 - Dividends for faithful
 - Catch = finding opportunity
 - Case Study #3 = Panic of 1873
 - Early signs of trouble
 - Sept 8, 1873 – NY Warehouse & Securities Co.
 - Sept 18, 1873 – Jay Cooke & Co.

- Cooke's collapse started Panic
 - Sept 20, NYSE stops trading for 10 days
 - Industrial giants did well
 - Recovery = nearly decade later
- Response to Panic of 1873 = emergence of Pools & Trusts
- Call for industrial efficiency
 - New field: factory assembly line
 - Industries also mechanize
 - Catch 22: machines only profitable at/near full capacity
 - Progress across continent matched by need for bigger markets
 - Each new development = short lived
 - Challenge = how to create order out of chaos while ensuring profitability?
- One possibility = *Pools*
- *Pools* = secret agreements among competitors
- Another = *Trusts*
- Formed when stock of company turned over to group of "trustees"
 - Stock exchanged for certificates
 - Management concentrated in single board
 - Result = "combination"
 - Power of trust = enormous
 - Trust = attractive solution for business
 - For economy = could be problem

- Trusts = accepted in Europe
- In US = free competition
- Changed w/ Sherman Anti-Trust Act (1890)
 - 1st attempt at Fed Control of US economy
 - Act = twofold
 - Act empowers Fed Govt