

# The Rise of Industrial America, 1865-1900

# What factors contributed to the rapid growth of the US economy?

- The country was a treasure-house of **raw materials** essential to industrialization;
- An **abundant labor supply** that was, between 1865 and 1900, supplemented yearly by the arrival of hundreds of thousands of immigrants;
- A growing population and an **advanced transportation system network** made the US the **largest market** in the world for industrial goods.

# More Factors Contributing to the Rapid Growth of the US Economy

- **Capital(money to be invested) was plentiful**; lots of investment by wealthy Americans and Europeans.
- Businesses benefited from **friendly government policies** that protected private property, subsidized railroads with land grants and loans, supported US manufacturers with protective tariffs, almost no regulation and limited taxes on corporations.
- **Talented entrepreneurs** were able to build and manage vast industrial and commercial enterprises.
- Stimulated the **growth of other industries** , esp. coal and steel;

# The Business of Railroads

- The nation's first big business;
- Railroad mileage increased fivefold in 35 years: from 35,000 miles in 1865 to 193,000 miles in 1900;
- RRs created a national market for goods, and thereby encouraged mass production and mass consumption.
- Stimulated the growth of other industries , esp. coal and steel;

# Creation of Time Zones

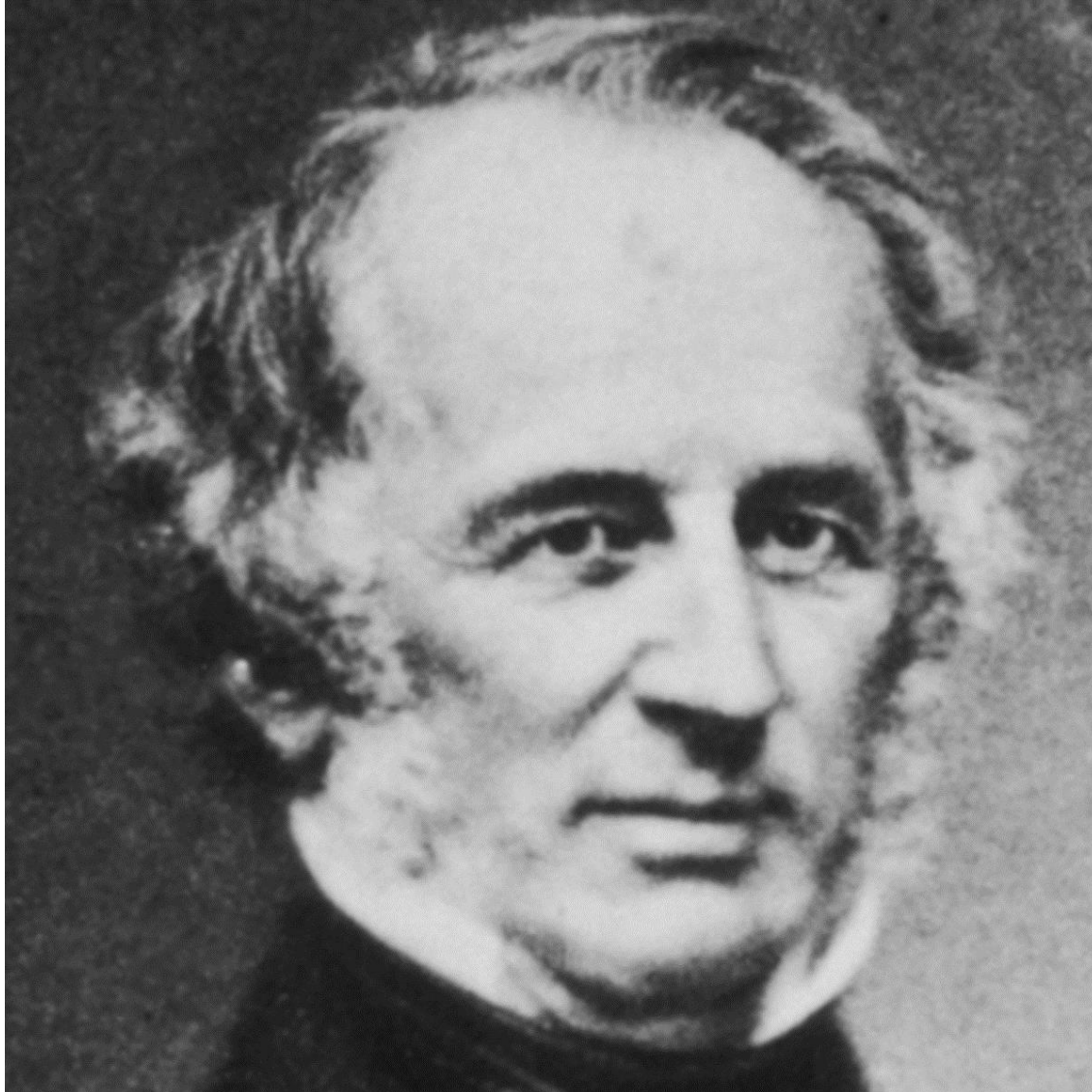


Transcontinental Railroads and Federal Land Grants, 1850–1900

# Importance of Consolidation

- early days, dozens of separate local lines has resulted in different track sizes(gauges) and incompatible equipment;
- These inefficiencies reduced through **consolidation** of competing railroads into **integrated trunk lines**;
- **Trunk line** is a major route between large cities;
- Commodore **Cornelius Vanderbilt** merged local railroads into the New York Central Railroad (1867) which ran from NYC to Chicago. Operated more than 4,500 miles of track.
- Consolidation helped to set **standards of excellence and efficiency**.

# Cornelius Vanderbilt



# Railroads and the West

- Railroads
  1. **promoted settlement** on the Great Plains and
  2. **linked the West with the East** to create one national market;
- Federal Land Grants: The federal government provided railroad companies with huge **subsidies** in the form of **loans** and **land grants** to promote settlement. 80 RR companies received more than 170 million acres of public land;(3x the Homestead Act);
- The RRs would **sell the land to finance construction.**



# RRs and the West cont.

- **Transcontinental Railroads:**



First: **Union Pacific** from Nebraska westward across the Great Plains; **Central Pacific** from Sacramento, California eastward;

Came together at Promontory Pt., Utah;

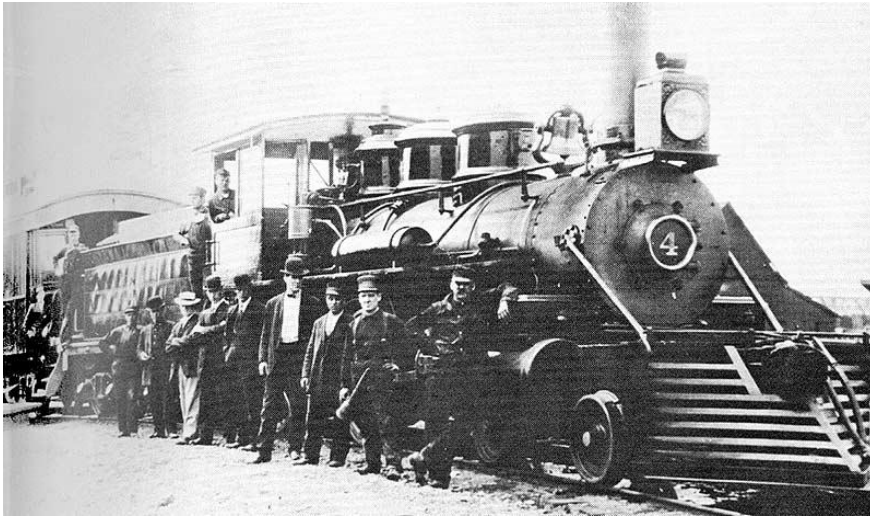
Four others built; many proved to be failures as businesses-Why?

# The Transcontinental RR





# RR: The Nation's First Big Business



# Problems

**A. Investment Bubbles**

**B. Mismanagement and Fraud**

Credit Mobilier

**C. Speculators: entered the RR business for quick profits and made millions by selling off assets(parts of the business).**

# Competition and Consolidation

A. **Rebates:** Railroads competed by offering rebates(discounts) and kickbacks to favored shippers while charging very high rates to smaller customers such as farmers.

B. **Pools:** Competing companies agreed secretly and informally to fix rates.

# Consolidation

A **financial panic in 1893** forced a quarter of all railroads into **bankruptcy**. J. Pierpont **Morgan** and other bankers moved quickly to take control of the bankrupt railroads and consolidate them.

With competition eliminated, they could stabilize rates and reduce debts.

By 1900, seven giant systems controlled 2/3 of the nation's railroads.

System controlled by a few powerful man like Morgan.

# J.P. Morgan

