The federal land grant system awarded railroad companies more than 120 million acres of land, an area larger than New England, New York, and Pennsylvania combined. Several railroad companies, including the Union Pacific and the Central Pacific, earned enough money from the government's generous land grants to cover much of the cost of building their lines.

Robber Barons The great wealth many railroad entrepreneurs acquired in the late 1800s led to accusations that they had built their fortunes by swindling investors and taxpayers, bribing government officials, and cheating on their contracts and debts. Bribery occurred frequently in this era, partly because the state and federal governments were so deeply entangled in funding the railroads.

When the existence of corruption in the railroad industry became public, it created the impression that all railroad entrepreneurs were robber barons—people who loot an industry and give nothing back—but the term was not always deserved. One railroad entrepreneur who was clearly not a robber baron was James J. Hill. Hill built and operated the Great Northern Railroad from St. Paul, Minnesota, to Everett, Washington, without any federal land grants or subsidies. The Great Northern became the most successful transcontinental railroad and the only one that was not eventually forced into bankruptcy.

Reading Check **Describing** How did the railways help in the industrialization of the United States?

The Rise of Big Business

Main Idea **Big business assumed a more prominent role in American life following the Civil War.**

Reading Connection In a typical day, what products do you use that have been made by corporations? Read on to learn about the emergence of corporations in the late 1800s.

Before the Civil War, the personal wealth of a few people operating in partnership financed most businesses, including many early factories. Most manufacturing enterprises were very small. By 1900, everything had changed. Big businesses dominated the economy, operating vast complexes of factories, warehouses, offices, and **distribution** facilities.

The Role of Corporations Big business would not have been possible without the corporation. A **corporation** is an organization owned by many people but treated by law as though it were a single person. The people who own the corporation are called stockholders because they own shares of ownership called stock. Issuing stock allows a corporation to raise large amounts of money for big projects while spreading out the financial risk.

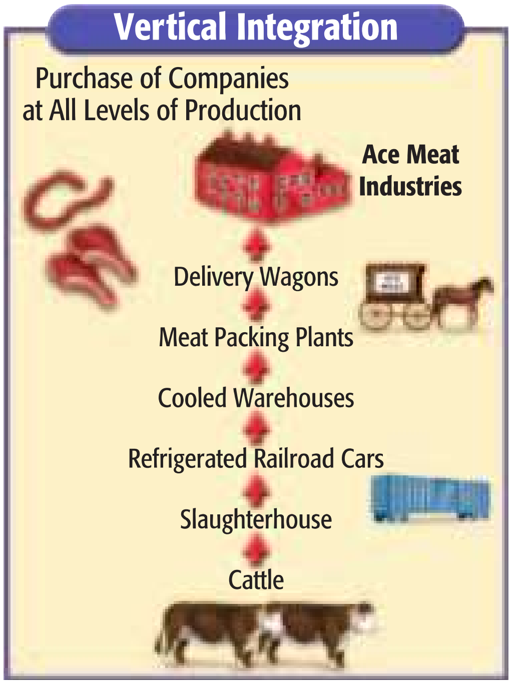
Before the 1830s, corporations needed charters by state legislatures. Beginning in the 1830s, states began passing general incorporation laws, allowing companies to become corporations and issue stock without such charters. With the money they raised from the sale of stock, corporations could invest in new technologies, hire a large workforce, and purchase many machines, greatly increasing their efficiency.

Small businesses with high operating costs found it difficult to compete against large corporations. At the time, many people criticized corporations for cutting prices and negotiating rebates, believing that corporations were behaving unethically. Still, many small companies were forced out of business.

The Consolidation of Industry To increase manufacturing efficiency even further, some business owners went one step further in building their business. One example is **Andrew Carnegie**, a Scottish immigrant who rose from bobbin boy in a textile

Analyzing *Political Cartoons*

Big Business Takes Over Large companies, such as Standard Oil, owned by John D. Rockefeller, could negotiate rebates from railroads that wanted his business. How did large business manage to dominate the economy?



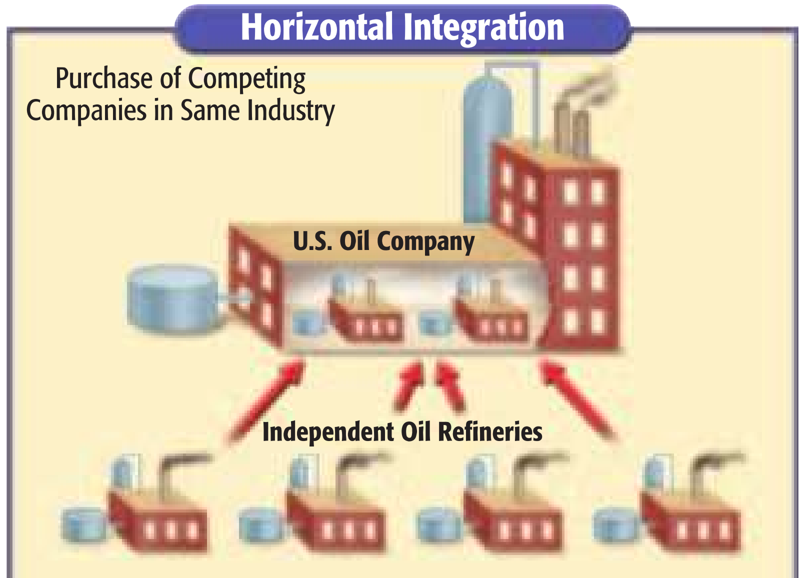


Chart Skills

Horizontal and vertical integration were the two most common business combinations in the late 1800s. **Evaluating** Which combination do you think would yield the most efficient business? Why?

factory to owner of a steel company in Pittsburgh. Carnegie began the **vertical integration** of the steel industry. A company with vertical integration owns all of the different businesses on which it depends for its operation. Instead of paying companies for coal, lime, and iron, Carnegie's company bought coal mines, limestone quarries, and iron ore fields.

Successful business leaders like Carnegie also pushed for **horizontal integration,** or combining many firms engaged in the same type of business into one large corporation. Horizontal integration took place frequently as companies competed. When a company began to lose market share, it would often sell out to competitors to create a larger organization. By 1880, for example, a series of buyouts had enabled Standard Oil, a company owned by John D. Rockefeller and his associates, to gain control of approximately 90 percent of the oil refining industry in the United States. When a single company achieves control of an entire market, it becomes a **monopoly.** Opponents feared monopolies because they believed that a company with a monopoly could charge whatever it wanted for its products. Those who supported monopolies believed that monopolies had to keep prices low because raising prices would encourage competitors to reappear and offer the products for a lower price.

By the late 1800s, many Americans had grown suspicious of large corporations and monopolies. To preserve competition and prevent horizontal integration, many states made it illegal for one company to own stock in another without specific permission from the state legislature. In 1882 Standard Oil formed the first trust, a new way of merging businesses that did not violate the laws against owning other companies. A trust is a legal **concept** that allows one person to manage another person's property. The person who manages another person's property is called a trustee. This arrangement enabled the Standard Oil trustees to control a group of companies as if they were one large merged company.

Many companies also created new organizations called holding companies. A holding company does not produce anything itself. Instead, it owns the stock of companies that produce goods, effectively merging them into one large enterprise.

Reading Check **Explaining** What techniques did corporations use to consolidate their industries?

Unions

Main Idea **In an attempt to improve their working conditions, industrial workers came together to form unions in the late 1800s.**

Reading Connection What do you think would motivate workers to form unions? Read on to learn why government and industry opposed early unions.

While workers saw some improvements in their lives, they also faced many difficulties. Their early attempts at unionization, however, were met with strong opposition.

Working in the United States Industrialization brought about a dramatic rise in the standard of living for all Americans. While only a few entrepreneurs became rich, real wages earned by the average worker rose by about 50 percent between 1860 and 1890. Despite these improvements, the uneven division of income between the working class and the wealthy caused resentment among workers.

In addition, life for workers in industrial America was difficult. As machines replaced skilled labor, work became monotonous. Workers had to perform highly specific, repetitive tasks and could take little pride in their work. Working conditions also often were unhealthy and dangerous. Workers breathed in lint, dust, and toxic fumes. Heavy machines lacking safety devices caused a high number of injuries.

Eventually, many workers decided they needed to organize unions to improve their working conditions. With a union, they could bargain collectively to negotiate higher wages and better working conditions.

Opposition to Unions Workers who wanted to organize a union faced several major problems. There were no laws giving workers the right to organize or requiring owners to negotiate with them. Courts frequently ruled that strikes were "conspiracies in restraint of trade," for which labor leaders might be fined or jailed.

Unions also suffered from the perception that they threatened American institutions. In the late 1800s, the ideas of Karl Marx, called **Marxism,** had become very influential in Europe. Marx argued that the basic force shaping capitalist society was the class struggle between workers and owners. He believed that workers would eventually revolt, seize control of the factories, and overthrow the government. Ultimately, Marx thought, the state would wither away, leaving a Communist society where classes did not exist. Marxism strongly shaped the thinking of European unions.

As Marxist ideas spread in Europe, tens of thousands of European immigrants began arriving in the United States. Anti-immigrant feelings already were strong in the United States. As people began to associate immigrant workers with revolution, they became increasingly suspicious of unions. These fears, as well as the government's duty to maintain law and order, often led officials to use the courts, the police, and even the army to crush strikes and break up unions.

Picturing **History**

Unsafe Working Conditions Workers in the late 1800s often faced unsafe working conditions. Many began to join labor unions in an attempt to improve these conditions. What unsafe conditions does this photograph of a steel mill show?

The Struggle to Organize As early as the 1830s, craft workers began forming trade unions limited to people with specific skills. Employers were often forced to recognize and negotiate with these trade unions because they represented workers whose skills they needed. However, employers generally regarded unions as illegitimate conspiracies that interfered with their property rights. Owners of large corporations particularly opposed **industrial unions,** which united all craft workers and common laborers in a particular industry. Although workers attempted on many occasions to create large industrial unions, they rarely succeeded.

Companies used several techniques to prevent unions from forming. They required workers to take oaths or sign contracts promising not to join a union, and they hired detectives to go undercover and identify union organizers. Workers who tried to organize a union or strike were fired and placed on a blacklist—a list of "troublemakers." Once blacklisted, a laborer could get a job only by changing residence, trade, or even his or her name.

If workers formed a union, companies often used a lockout to break it. They locked workers out of the property and refused to pay them. If the union called a strike, employers would hire replacement workers, or strikebreakers, also known as scabs.

In many cases the confrontations with owners and the government led to violence and bloodshed. A riot at Haymarket Square in Chicago led to the eventual discrediting of the Knights of Labor, the first nationwide industrial union. Two strikes, the Great Railroad Strike of 1877 and the Pullman Strike of 1894, involved rail workers who responded to wage cuts. Both times, the army was sent to restore order.