

Who were the robber barons? essay sample



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" A friendship founded on business is better than a business founded on friendship." These words ring true in the ears of business owners and CEOs even today. Who was the man that spoke these words that still have thought and meaning today? Why, none other than John D. Rockefeller. Rockefeller was one of the many " robber barons" of the gilded age. In case you were wondering, a robber baron is a " ruthlessly powerful U. S. capitalist or industrialist of the late 19th century considered to have become wealthy by exploiting natural resources, corrupting legislators, or other unethical means." In other words, a real life depiction of " Mr. Pennybags" from the popular Monopoly game.

Robber barons were not only ruthless industrialists, but were also iconic to the time and very popular. Rockefeller Square, Carnegie Hall, and J. P. Morgan bank are just a few of the marks left on society today by these capitalist titans. Just one question remains: Who were the robber barons? John Davison Rockefeller was the greatest known, and richest robber baron of all time, in fact his net worth by the time he was dead was estimated at 318. 3 billion dollars.

John Davison Rockefeller was the second of six children born in Richford, New York, to William Avery Rockefeller and Eliza Davison. When he was a boy, Rockefeller moved with his family to Cleveland, Ohio, in 1853, and six years later he established his first enterprise; a commission business dealing in hay, grain, meats, and other goods. Sensing the commercial potential of the expanding oil production in western Pennsylvania in the early 1860s, he built his first oil refinery, near Cleveland, in 1863. Just within two years it was

the largest refinery in the area, and thereafter Rockefeller devoted himself exclusively to the oil business.

In 1870, Rockefeller and a few associates incorporated the Standard Oil Company in Ohio. Because of Rockefeller's know how on economical operations, Standard Oil Company prospered and began to buy out its competitors until, by 1872, it controlled nearly all the refineries in Cleveland. That local monopoly enabled the company to negotiate with railroads for favored rates on its shipments of oil. It acquired pipelines and terminal facilities, purchased competing refineries in other cities, and vigorously sought to expand its markets in the United States and abroad. By 1882 it had a near monopoly of the oil business in the United States. In 1881 Rockefeller and his associates placed the stock of Standard of Ohio and its affiliates in other states under the control of a board of nine trustees, with Rockefeller at the head. They thus established the first major U. S. "trust" and set a pattern of organization for other monopolies.

The aggressive practices of Standard Oil, which many regarded as "ruthless", and the growing public hostility toward monopolies, of which Standard Oil Company was the best-known, caused some industrialized states to enact anti-monopoly laws and led to the passage by the U. S. Congress of the Sherman Antitrust Act in 1890. In 1892 the Ohio Supreme Court held that the Standard Oil Trust was a monopoly in violation of an Ohio law prohibiting monopolies. Rockefeller avoided the decision by dissolving the trust and transferring its properties to companies in other states, with interlocking directorates so that the same nine men controlled the operations of the affiliated companies. In 1899 these companies were

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brought back together in a holding company, Standard Oil Company (in New Jersey this time) which existed until 1911, when the U. S. Supreme Court declared it in violation of the Sherman Antitrust Act and therefore illegal, again.

As a devout Baptist, Rockefeller turned his attention increasingly during the 1890s to charities and benevolence; after 1897 he devoted himself completely to philanthropy. He made possible the founding of the University of Chicago in 1892, and by the time of his death he had given it more than 80 million dollars. In association with his son, John D. Rockefeller, Jr., he created major philanthropic institutions, including the Rockefeller Institute for Medical Research (renamed Rockefeller University in New York City in 1901); the General Education Board in 1902; and the Rockefeller Foundation in 1913. Rockefeller's donations during his lifetime alone totaled more than 500 million dollars.

John Piermont Morgan was most known as a financier, art collector and a philanthropist. He is probably the second most known robber baron besides Rockefeller. However, Morgan was worth an estimated 80 million dollars, or 1.2 billion dollars today, dwarfed by Rockefeller's \$313 billion; but, "JP Morgan's power did not lie in the millions he had, it lay in the billions he controlled".

Born on April 17, 1837, in Hartford, Connecticut as a son of a banker, Morgan went into the family business and became one of the most famous financiers in history. After working for his father, he started his own private banking company in 1871, which later became known as J. P. Morgan & Co. His

company became one of the leading financial firms in the country. It was so powerful that even the U. S. government looked to the firm for help with the depression of 1895. The company also assisted in thwarting the 1907 financial crisis.

During his career, his wealth, power, and influence attracted a lot of media and government scrutiny. During the late 1800s and even after the turn of the century, much of the country's industries were in the hands of a few powerful business leaders, especially Morgan. He was criticized for creating monopolies by making it perplexing for any business to compete against his. Morgan dominated two industries in particular; the railroad industry and the United States Steel Corporation.

A crucial material in the extensive growth of the nation, U. S. Steel became the world's largest steel manufacturer. The government, concerned that Morgan had created a monopoly in the steel industry, filed suit against the company in 1911. The following year, Morgan and his partners became the subject of a congressional investigation by the PUJO Committee.

Morgan had many interests beyond the world of banking. He enjoyed sailing, and participated in a number of America's Cup yacht races. He was an ardent art collector, creating one of the most significant collections of his time. He later donated his art collection to the Metropolitan Museum of Art, and his collection of written works to the Morgan Library in New York City.

Matthew Arnold, Mark Twain, William Gladstone, and Theodore Roosevelt just to name a few, were some of Andrew Carnegie's closest friends. Carnegie also wrote several books and numerous articles, and many of them were

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published. He was probably the most extraordinary of the three men in the sense that he was not only a millionaire and a philanthropist, he was many other things as well. At the time of his death he was worth an estimated 298.3 billion dollars, making him the second richest robber baron.

Andrew Carnegie was Born on November 25, 1835, in Dunfermline, Fife, Scotland. Although he had little formal education, he grew up in a family that believed in the importance of books and learning. The son of a hand loom weaver, Carnegie grew up to become one of the wealthiest businessmen in America.

At the age of thirteen, Carnegie came to the United States in 1848 with his family. They settled in Allegheny, Pennsylvania, and Carnegie went to work in a factory, earning \$1.20 a week. The next year he found a job as a telegraph messenger. Wanting to advance himself he moved up to a telegraph operator position in 1851. Then he took a job at the Pennsylvania Railroad in 1853. He worked as the assistant to Thomas Scott, one of the railroad's top officials. Through this experience, he learned a lot about the railroad industry and about business in general. Three years later, Carnegie was promoted to superintendent.

While working for the railroad, Carnegie began making investments. He made many wise choices and found that his investments, especially those in oil, brought in substantial returns. He left the railroad in 1865 to focus on his other business interests, including the Keystone Bridge Company.

By the next decade, most of Carnegie's time was dedicated to the steel industry. His business, which became known as the Carnegie Steel Company, <https://assignbuster.com/who-were-the-robber-barons-essay-sample/>

revolutionized steel production in the United States. Carnegie built plants around the country, using technology and methods that made manufacturing steel easier, faster, and more productive. For every step of the process, he owned exactly what he needed: the raw materials, ships and railroads for transporting the goods, and even coal fields to fuel the steel furnaces. This start-to-finish strategy helped Carnegie become the dominant force in the industry and an exceedingly wealthy man. By 1889, Carnegie Steel Corporation was the largest of its kind in the world.

Some felt that the company's success came at the expense of its workers. The most notable case of this came in 1892. When the company tried to lower wages at a Carnegie Steel plant in Homestead, Pennsylvania, the employees objected. They refused to work, starting what has been called the Homestead Strike of 1892. The conflict between the workers and local managers turned violent after the managers called in guards to break up the union. While Carnegie was away at the time of strike, he was still held accountable for his managers' actions by many.

In 1901, Carnegie made a dramatic change in his life. He sold his business to the United States Steel Corporation, started by legendary financier J. P. Morgan. The sale earned him more than \$200 million. At the age of 65, Carnegie decided to spend the rest of his days helping others. While he had begun his philanthropic work years earlier by building libraries and making donations, Carnegie expanded his efforts in 1900s.

Carnegie, an avid reader for much of his life, donated approximately \$5 million to the New York Public Library so that the library could open several

branches in 1901. Devoted to learning, he established the Carnegie Institute of Technology in Pittsburgh, which is now known as Carnegie-Mellon University in 1904. The next year he created the Carnegie Foundation for the Advancement of Teaching in 1905. With his strong interest to peace, he formed the Carnegie Endowment for International Peace in 1910. He made numerous other donations as well and it is said that more than 2, 800 libraries were opened with his support.

What a robber baron really and truly is, is a crook. A manipulative scoundrel, yet sneaks behind the lines of the capitalistic law like a fish through water.

What a robber baron is, in technical terms is a pure market entrepreneur or a really, really good capitalist. A pure market entrepreneur, or capitalist, succeeds financially by selling a newer, better, or less expensive product on the free market without any government subsidies, direct or indirect. The key to his success as a capitalist is his ability to please the consumer, for in a capitalist society the consumer ultimately calls the economic shots. By contrast, a political entrepreneur succeeds primarily by influencing government to subsidize his business or industry, or to enact legislation or regulation that harms his competitors.

In the widget industry, for instance, you can be a market entrepreneur by making better mousetraps and thereby convincing consumers to buy more of your widgets and less of your competitors', or you can lobby Congress to prohibit the importation of all foreign-made widgets. In one case situation the consumer voluntarily hands over his money for the superior widget; in the other case the consumer, not given anything better in return, pays more

for existing widget just because the import quota has reduced supply and therefore driven up prices.

The capitalist system itself was designed for clever people just like the robber barons to find the loopholes and string their abilities through them, creating a pattern of lies, deceit, and most important of all, money. Since capitalism is free enterprise, there is no restriction on how much a person could have, the sky is the limit. robber barons did indeed profit by exploiting American customers, but these were not strictly market entrepreneurs. For example, Leland Stanford, a former governor and US senator from California, used his political connections to have the state pass laws prohibiting competition for his Central Pacific railroad, and he and his business partners profited from this monopoly scheme. Unfortunately, the resentment that this naturally generated among the public was unfairly directed at other entrepreneurs who succeeded in the railroad industry without political interference that tilted the playing field in their direction.

CEOs, entrepreneurs, and tycoons are some of today's robber barons. They are some of the richest people on earth, and the smartest. Contrary to the robber barons of old, today's robber barons can't quite use the same tactics to get what they want. Strict environmental laws, and regulations made by lawmakers restrict the amount of "shady" activities these men (and women) can participate in. Bill gates is one of those modern robber barons. His net worth is estimated at over fifty eight billion dollars. The ceiling of his wealth was estimated at one hundred one billion dollars. Bill Gates really isn't truly a robber baron in the sense that he achieved all of his wealth by putting his creations on the market. One more modern day robber baron

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would be Richard Branson owner of Virgin. Richard is a more stereotypical robber baron in the sense that he owns an airline, a record company, and a phone company. This man has manipulated and slinked his way around the law several times, just to earn extra money. He is, in a sense, the last, true robber baron.

So what can Americans expect from their current crop of billionaires? Or rather what can they expect from the processes that have allowed their creation? They should be extremely dubious about billionaires' social utility. Their relative absence from the 1930s to the 1970s did not seem to harm economic growth in the United States. Their predecessors' claim to much of their wealth is, to see the least, dubious. And their large-scale presence was associated with the serious corruption of American politics.

Perhaps those who are going to be industrial statesmen have as reasonable a chance of truly being industrial statesmen in an environment hostile to billionaires, as in an environment friendly to their creation: at that level of operations, after all, money is just how people keep the score in their competitions against nature and against each other. Theodore N. Vail was a powerful industrial statesman in his role as head of the American telephone company, yet he did not become a billionaire.

On the other hand, their personal consumption is only an infinitesimal proportion of their total wealth. Much less of Andrew Carnegie's fortune from his steel mills went to his own personal consumption than has gone to his attempts to promote international peace, or to build libraries to increase literacy. The child who in mid-nineteenth century Scotland painfully learned

to read from the handful of books he had access to in his family's two-room cottage as they fell closer and closer to the edge of starvation—that child is visible in the Carnegie libraries that still stand in several hundred cities and towns in the United States, and is visible around us now. Adam Smith wrote about the rich of his day that they only select from the heap what is most precious and agreeable. “ They consume little more than the poor, and in spite of their natural selfishness and rapacity, though they mean only... the gratification of their own vain and insatiable desires, they divide with the poor the produce of all their improvements. They are led by an invisible hand to make nearly the same distribution of the necessaries of life ...had the earth been divided into equal portions” He was not completely wrong.

So if there is a lesson, it is roughly as follows Politics can put curbs on the accumulation of extraordinary amounts of wealth. And there is a very strong sense in which an unequal society is an ugly society. I like the distribution of wealth in the United States as it stood in 1975 much more than I like the relative contribution of wealth today. But would breaking up Microsoft five years ago have increased the pace of technological development in software? Probably not. And diminishing subsidies for railroad construction would not have given the United States a nation-spanning railroad network more quickly. So there are still a lot of questions and few answers. At what level does corruption become intolerable and undermine the legitimacy of democracy? How large are the entrepreneurial benefits from the finance-industrial development nexus through which the truly astonishing fortunes are developed? To what extent are the Jay Gould's and Leland Stanford's embarrassing but tolerable side-effects of successful and broad economic

development? I know what the issues are. But I do not yet not even for the late nineteenth and early twentieth-century United States feel like I have even a firm belief on what the answers will turn out to be.

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