19^{TH} CENTURY ENTREPRENEURS

Entrepreneur & Industry	Describe this person's early life.	How was this person able to create a successful business?

Questions:

1. What similarities and differences do you notice in the early lives of these individuals?
2. What technique did they use in making their businesses successful? Were these techniques similar? Explain.

CORNELIUS VANDERBILT

A descendant of Dutch settlers who came to America in the mid-1600s, Cornelius Vanderbilt was born into humble circumstances on May 27, 1794, on Staten Island, New York. His parents were farmers and his father also made money by ferrying produce and merchandise between Staten Island and Manhattan in his two-masted sailing vessel, known as a periauger. As a boy, the younger Vanderbilt worked with his father on the water and attended school briefly. When Vanderbilt was a teen he transported cargo around the New York harbor in his own periauger. Eventually, he acquired a fleet of small boats and learned about ship design.
In 1813, Vanderbilt married his cousin Sophia Johnson, and the couple eventually had 13 children. (A year after his first wife died in 1868, Vanderbilt married another female cousin, Frank Armstrong Crawford, who was more than four decades his junior.)

STEAMSHIPS - In 1817, Vanderbilt went to work as a ferry captain for a wealthy businessman who owned a commercial steamboat service that operated between New Jersey and New York. The job provided Vanderbilt the opportunity to learn about the burgeoning steamship industry. In the late 1820s, he went into business on his own, building steamships and operating ferry lines around the New York region. Shrewd and aggressive, he became a dominant force in the industry by engaging in fierce fare wars with his rivals. In some cases, his competitors paid him hefty sums not to compete with them. (Throughout his life, Vanderbilt's ruthless approach to business would earn him numerous enemies.)

In the 1840s, Vanderbilt constructed a large brick home for his family at 10 Washington Place, in Manhattan's present-day Greenwich Village neighborhood. Despite his growing wealth, the city's elite residents were slow to accept Vanderbilt, considering him rough and uncultured.

In the early 1850s, during the California Gold Rush, a time before transcontinental railroads, Vanderbilt launched a steamship service that transported prospectors from New York to San Francisco via a route across Nicaragua. His route was faster than an established route across Panama, and much speedier than the other alternative, around Cape Horn at the southern tip of South America, which could take months. Vanderbilt's new line was an instant success, earning more than $1 million (about $26 million in today's money) a year.

RAILROADS - In the 1860s, Vanderbilt shifted his focus from shipping to the railroad industry, which was entering a period of great expansion. He gained control of a number of railway lines operating between Chicago and New York and established an interregional railroad system. According to T.J. Styles, author of "The First Tycoon: The Epic Life of Cornelius Vanderbilt": "This was a major transformation of the railroad network, which previously had been fragmented into numerous short railroads, each with its own procedures, timetables, and rolling stock. The creation of a coherent system spanning several states lowered costs, increased efficiency, and sped up travel and shipment times."

Vanderbilt was the driving force behind the construction of Manhattan's Grand Central Depot, which opened in 1871. The station eventually was torn down and replaced by present-day Grand Central Terminal, which opened in 1913.

ANDREW CARNEGIE

If any entrepreneur embodied the rags to riches legend, it was Andrew Carnegie. Born in Scotland in 1835, the son of a poor weaver, Carnegie and his family emigrated to the United States when he was 13. His first job was as a bobbin boy, winding threads in a cotton factory for $1.20 a week. Looking to better himself, he found work as a messenger boy in a Pittsburgh telegraph office. Not long after, he learned the skills of a telegraph operator.

Carnegie left the telegraph office when Thomas A. Scott of the Pennsylvania Railroad hired him as his personal secretary and telegrapher. Intelligent, hard-working and ambitious, Carnegie was eager to rise higher in the business world. He was named superintendent of the Pittsburgh division of the Pennsylvania Railroad when he was 24.

Certain that steel would be important in the changing American economy, Carnegie purchased stock in several steel companies. He formed his own Keystone Bridge Company in 1865. In the 1870's he decided to concentrate all his efforts on steel.

For nearly 20 years Carnegie attempted to make his new company, Carnegie Steel, self-sufficient. He wanted to control every part of steel-making from start to finish. His company owned coal and iron ore mines, facilities for making coke, and plants that produced finished products. Carnegie Steel was transported on Carnegie-owned railroads and ships. This ownership of all levels of production is called vertical integration.

By 1900 Carnegie's company was making a quarter of the nation's steel and serving a world market. When Carnegie retired he sold the company to banker John Pierpont Morgan for $447 million. Morgan and his associates combined Carnegie Steel with other steel companies to form United States Steel in 1901, the first billion-dollar corporation in American history.

PHILIP ARMOUR

Philip Armour was born in 1832 in Madison County, New York and grew up on his family's farm. At 20, he left for California where he worked as a miner and a box-builder. He saved several thousand dollars from his labor and returned to Madison County in 1856. Dissatisfied with the life of a farmer, he moved to Milwaukee and entered the wholesale grocery and trading business. During the Civil War, he formed a company that dealt in grain and meats and made about $1 million speculating in pork prices.

With these profits, Armour built a meat packing plant in Chicago. He strove to make his company self-sufficient through vertical integration. Armour revolutionized the meat-packing industry by combining slaughtering and packing under one company. Rather than pay shipping costs, he purchased and used refrigerator cars. Armour and Company devised a use for every part of the cattle. Horn and hooves were made into buttons, hide was made into leather, and cattle hair was made into brushes.

Due to its efficiency and innovation in the meat-packing industry, Armour and Company was extremely successful. Armour's own net worth was estimated at $50 million when he died in 1901.

JOHN D. ROCKEFELLER

John D. Rockefeller was born in western New York in 1839. When Rockefeller was 14, his family moved to Cleveland, Ohio. There he completed high school and, for a short time, studied at a commercial college.

Rockefeller's first job was with a trading company at a salary of $15 a week. He then decided to go into the trading business for himself. In 1859 he and a partner formed a company that traded in grain, hay and meats. In 1863 he and his partner began investing in the oil refining industry. Rockefeller reasoned that industrialization would change America's economy. He believed that oil would be in constant demand, so he sold his half of the business to devote his energy to oil.

Rockefeller's first goal was to corner the Cleveland oil refining industry. By 1872 he controlled 21 of the city's 26 refineries. This expanded ownership one area of production is called horizontal integration. Next, he expanded his company, Standard Oil, into other cities, including Pittsburgh, Philadelphia, and New York.

Rockefeller's next goal was self-sufficiency. All the processes of oil production were combined under Standard Oil, thus combining vertical and horizontal integration. The company produced and used its own sulfuric acid, tank cars, and even its own barrels, made from forests owned by Standard Oil. Rockefeller controlled the pipelines he used to ship his oil, and distributed and sold his product through licensed dealerships

To consolidate his investments in mining, lumber, and transportation, Rockefeller created the Standard Oil Trust. A trust was a combination of corporations that agreed to turn over their stock to a central board of trustees in return for trust certificates. These certificates paid dividends, like any other stock. Control of the companies was in the hands of the trustees. Central control meant that competition among the companies in the trust was eliminated. Thus Standard Oil became a monopoly.