Basic US History

Unit 6 – America Expands

The Industrial Age

**KEY TERMS AND PEOPLE**

corporations businesses owned by stockholders

Andrew Carnegie business leader who concentrated his efforts on steel production

vertical integration owning the businesses involved in each step of manufacturing

John D. Rockefeller business leader who concentrated on oil refining

horizontal integration owning all of the businesses in a certain field

trust a legal arrangement grouping together a number of companies under a single board of directors

Leland Stanford business leader of mining equipment and railroads

Social Darwinism belief that Charles Darwin’s theory of natural selection and “survival of the fittest” holds true for humans

monopoly total ownership of a product or service

Sherman Antitrust Act law that made it illegal to monopolize a business

**DOMINANCE OF BIG BUSINESS**

In the late 1800s entrepreneurs began to form corporations. A corporation is owned by people who buy shares of stock in that corporation. Stockholders share the corporation’s profits. But if the corporation fails, stockholders lose the money that they invested. Entrepreneurs could spread the risk of loss across all the stockholders.

One successful entrepreneur of the late 1800s was Andrew Carnegie. He made money in several industries, but he focused on steel. Carnegie acquired all of the businesses involved in making steel. This process is called vertical integration.

John D. Rockefeller made his fortune in oil. Like Carnegie, he used vertical integration. He also used horizontal integration, buying out most of his competitors. He grouped his companies into a trust in an effort to control oil production and prices.

Leland Stanford was another successful business leader of the time. He made money selling mining equipment to miners. He also helped found the California Central Pacific railroad.

**QUESTIONING THE METHODS OF BIG BUSINESS**

In the late 1800s many business leaders believed in social Darwinism. Charles Darwin proposed that in nature, the law was “survival of the fittest.” Social Darwinists believed the same was true of humans— those who got rich were the fittest.

Other wealthy business leaders claimed that the rich had a duty to help the poor. As a result, some leaders gave millions of dollars to charities.

Big business caused problems for smaller ones. A big business would lower its prices until small businesses, unable to offer the same low prices, went bankrupt. Consumers then had to pay higher prices because there was no longer any competition.

Americans demanded that Congress pass laws to control monopolies and trusts. Congress finally passed the Sherman Antitrust Act. However the act did little to reduce the power of corporations.

**Questions**

1. Why did entrepreneurs form corporations in the late 1800s?

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2. What is Social Darwinism?

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3. Why did some people think trusts were bad for society?

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4. Imagine you are an adviser to the president. Voters are complaining about big discount stores putting small, family-owned stores out of business by lowering prices. Make a list of ADVANTAGES and DISADVANTAGES of large stores that you could give to the president to help him create a new policy.

**ADVANTAGES DISADVANTAGES**

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**True or False**

Circle “T” if the statement is true.

If the statement is false, circle “F” and change the underlined section to make the statement true.

1. T or F A **trust** is a legal arrangement grouping together a

number of companies under a single board of directors. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

2. T or F Passed by Congress in 1890, the **Sherman Antitrust Act** was

largely ineffective because it did not clearly define in legal

terms the type of organization it was seeking to regulate. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

3. T or F **Corporations** are businesses that sell portions of ownership

called stock shares. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

4. T or F Owning the businesses involved in each step of a

manufacturing process is called **horizontal integration**. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

5. T or F **John D. Rockefeller** became successful through combining,

or consolidating, businesses. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

6. T or F Rockefeller’s ownership of 90 percent of the oil refining

business in the United States by 1880 is an example of

**vertical integration**. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

7. T or F In 1873 **Andrew Carnegie** focused his efforts on

steelmaking and expanded his business by buying out

his competitors when steel prices were low. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_