Name ______________________________ Date ______________

Big Business Emerges

TERMS AND NAMES

Andrew Carnegie Scottish immigrant who became a giant in the steel industry

vertical integration Process in which a company buys out its suppliers

horizontal consolidation Process in which companies producing similar products merge

Social Darwinism Theory that taught only the strong survived

monopoly Situation in which one company controlled an entire industry

holding company Corporation that bought out the stock of other companies

John D. Rockefeller Head of Standard Oil Company

trust Corporation formed by separate companies

Sherman Antitrust Act Law that outlawed trusts

BEFORE YOU READ

In the last section, you read about the growth of the railroad industry in the United States.

In this section, you will read about the growth of big business in America and how economic power became concentrated in the hands of a few.

AS YOU READ

Use the diagram below to take notes on the business practices of Andrew Carnegie and John D. Rockefeller.

INDUSTRIALISTS	BUSINESS	METHODS
Carnegie	Steel	vertical integration, horizontal consolidation
Rockefeller		

Carnegie's Innovations (pages 257–258)

How did Carnegie take control of the steel industry?

Andrew Carnegie symbolized the growth of big business during the late 1800s. Carnegie was a Scottish *immigrant.* He made a fortune in the railroad business. Then he bought a steel company. From there, he set out to make his company the leader in the steel industry.

He attempted to control the entire steel industry. He did this mainly by **vertical integration.** Under this process, he bought the companies that supplied his *raw materials,* such as coal and iron. He also bought the railroad lines that transported his goods. This gave him total control over the quality and cost of his product.

Carnegie also attempted to buy out competing steel producers through a process known as **horizontal consolidation.** In this process, companies producing similar products *merge.* By 1900, Carnegie had gained control of both his suppliers and competitors. This allowed him to control nearly the entire steel industry.

1. Describe two ways in which Carnegie tried to control the steel industry.

____

____

Social Darwinism and Business
(page 258)

What *is the theory of Social Darwinism?*

The success of people such as Carnegie led to an intellectual movement known as **Social Darwinism.** This movement grew from the ideas of the English biologist Charles Darwin. Darwin believed that some individuals succeed and pass their traits along to the next generation, while others do not. He claimed that this process weeded out weaker individuals and enabled the strongest to survive.

Darwin's theory appealed to the American business community. Businessmen argued that free competition in business would ensure survival of the strongest.

Social Darwinism also taught the importance of hard work and personal responsibility This appealed to ordinary Americans.

2. Why did Social Darwinism appeal to ordinary Americans?

____

____

Fewer Control More (pages 259–261)

How *did so few get so much power?*

Many businessmen did not totally support the idea of free competition. In fact, many *industrialists* tried to eliminate all competition that threatened the growth of their own business empires.

One way to eliminate competition was buy out all other companies in the industry. A firm that managed to buy out all its competitors could achieve a **monopoly,** or complete control over an industry.

Another way to create a monopoly was to set up a **holding company.** This was a corporation that did nothing but buy out the *stock* of other companies.

The Standard Oil Company used yet another method to establish a monopoly. **John D. Rockefeller,** the head of Standard Oil, took control of the oil industry by forming a **trust.** This was a system in which different companies agreed to work together as a large corporation. The companies then split the profits earned by the trust.

Critics of Rockefeller and the other industrialists labeled them robber barons. This was from the name of the feudal lords who owned huge estates in Europe during the Middle Ages. The industrialists, however, defended their great wealth. They emphasized that they gave much of their money back to society by donating to charities and other causes.

Eventually the government took a stand against the industrialists and their monopolies. In 1890, Congress passed the **Sherman Antitrust Act**. The act outlawed trusts. However, the courts refused to support the law. As a result, business monopolies continued.

3. Describe at least two ways in which a company could create a monopoly.

____

____

Business Boom Bypasses the South (page 261)

Why *was there no industrial growth in the South?*

The industrial boom of the late 1800s occurred mainly in the North. In the South, industrial growth was much slower.

Several factors contributed to the South's slow economic growth. First, the region had not yet recovered from the Civil War. Second, many Southerners refused to *invest* their money in businesses in the South after the war. Third, most Southerners who tried to start businesses had difficulty overcoming economic obstacles. Finally, Southern businesses could not compete with Northern companies—which were already well established.

4. Name two reasons why the South did not experience a business boom.

____

____

Chapter 6: A New Industrial Age (pages 244–271)

Section 3: Big Business Emerges (pages 257–261)

1. vertical integration; horizontal consolidation
2. Possible responses: It taught the importance of hard work and personal responsibility.
3. One way was for a company to buy out all its competitors. Another was to create a holding company to buy the stock of other companies.
4. Possible responses: The region had not yet recovered from the Civil War. Most Southerners could not compete with established Northern companies.