

## The Industrial Age

### Section 2



#### MAIN IDEAS

1. The rise of corporations and powerful business leaders led to the dominance of big businesses in the United States.
2. People and the government began to question the methods of big business.

### 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

### Academic Vocabulary

**acquired** to get

## Section Summary

### 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

**Why did entrepreneurs form corporations in the late 1800s?**

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**Section 2, continued**

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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.

**What is social Darwinism?**

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**Why did some people think trusts were bad for society?**

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**CHALLENGE ACTIVITY**

**Critical Thinking: Evaluate** 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. Write a summary of your list and advise the president.

Section 2, *continued*

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**DIRECTIONS** On the line provided before each statement, write **T** if a statement is true and **F** if a statement is false. If the statement is false, write the correct term on the line after each sentence that makes the sentence a true statement.

\_\_\_\_\_ 1. A trust is a legal arrangement grouping together a number of companies under a single board of directors.

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\_\_\_\_\_ 2. 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.

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\_\_\_\_\_ 3. Corporations are businesses that sell portions of ownership called stock shares.

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\_\_\_\_\_ 4. Owning the businesses involved in each step of a manufacturing process is called horizontal integration.

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\_\_\_\_\_ 5. John D. Rockefeller became successful through combining, or consolidating, businesses.

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\_\_\_\_\_ 6. Rockefeller's ownership of 90 percent of the oil refining business in the United States by 1880 is an example of vertical integration.

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\_\_\_\_\_ 7. In 1873 Andrew Carnegie focused his efforts on steelmaking and expanded his business by buying out his competitors when steel prices were low.

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