Objectives

- Analyze different methods that businesses used to increase their profits.
- Describe the public debate over the impact of big business.
- Explain how the government took steps to block abuses of corporate power.
Terms and People

- **corporation** – a form of group ownership in which a number of people share the ownership of a business

- **monopoly** – complete control of a product or service

- **cartel** – an arrangement in which businesses making the same product agree to limit production to keep prices high

- **John D. Rockefeller** – an oil tycoon who made deals with railroads to increase his profits
Terms and People (continued)

- **horizontal integration** – a system of consolidating many firms in the same business to lower production costs

- **trust** – a situation in which companies assign their stock to a board of trustees, who combine them into a new organization

- **Andrew Carnegie** – a steel tycoon who used vertical integration to increase his power

- **vertical integration** – the practice of gaining control of many different businesses that make up all phases of a product’s development
Terms and People (continued)

- **Social Darwinism** – an application of Charles Darwin’s work which held that wealth was a measure of one’s inherent value and those who had it were the most “fit”

- **ICC** – the Interstate Commerce Commission, a government body set up to oversee railroad operations

- **Sherman Antitrust Act** – a bill passed in 1890 which outlawed any trust that operated “in restraint of trade or commerce among the several states”
How did big business shape the American economy in the late 1800s and early 1900s?

The growth of big business in the late 1800s changed American society.

The rise of business empires turned the United States into an economically powerful nation.
Industrialization changed how businesses were run.

- Business leaders combined funds and resources.
- Investors formed corporations that protected them from losing more than original investment.
- A corporation could operate in different regions.
Corporations worked to maximize profits by

- paying workers low wages
- paying lower prices for raw materials
- supporting research labs
Corporations used strategies to eliminate competition and decrease costs.

- **monopolies**
- **cartels**

Competitors forced out of business

- **horizontal integration**
- **vertical integration**

Better control of production and costs reduced
## Tycoons of the Late 1800s

<table>
<thead>
<tr>
<th>Business leader</th>
<th>Industry</th>
</tr>
</thead>
<tbody>
<tr>
<td>John D. Rockefeller</td>
<td>Oil</td>
</tr>
<tr>
<td>Andrew Carnegie</td>
<td>Steel</td>
</tr>
<tr>
<td>Cornelius Vanderbilt</td>
<td>Railroads</td>
</tr>
</tbody>
</table>
Were the tycoons “robber barons” who swindled the poor and drove small businesses under...

or “captains of industry” who served the nation and made prices of goods cheaper?
Big Business Is Bad for Small Businesses?
Or Is Big Business Good for the Nation?

- provides jobs
- allows for **product innovations**
- financially supports universities, libraries, and museums
Survival of the Fittest

Charles Darwin’s idea of evolution of species

applied to American capitalism

led to the idea of **Social Darwinism**

This is the belief that wealth was a measure of a person’s value and those who had wealth were the most “fit.”
Social Darwinists believed government should stay out of private business and thought it was wrong to use public funds to assist the poor.

Americans who worried about the methods of industrialists called for federal regulation of business practices.
The **ICC** and the **Sherman Antitrust Act**

began a **trend toward government limits** on corporate power.

| **ICC** | • Interstate Commerce Commission  
|         | • Oversaw railroad operations |
| **Sherman Antitrust Act** | • Passed by the Senate in 1890  
|                     | • Outlawed trusts that restrained trade among several states |