

The Rise of Big Business

8th Grade Social Studies

Unit 3

Rise of big business

- ✦ The American ideal is based on self-reliant individualism
- ✦ Strong work ethic made people successful
- ✦ Entrepreneurs risked their money and talents on new challenges

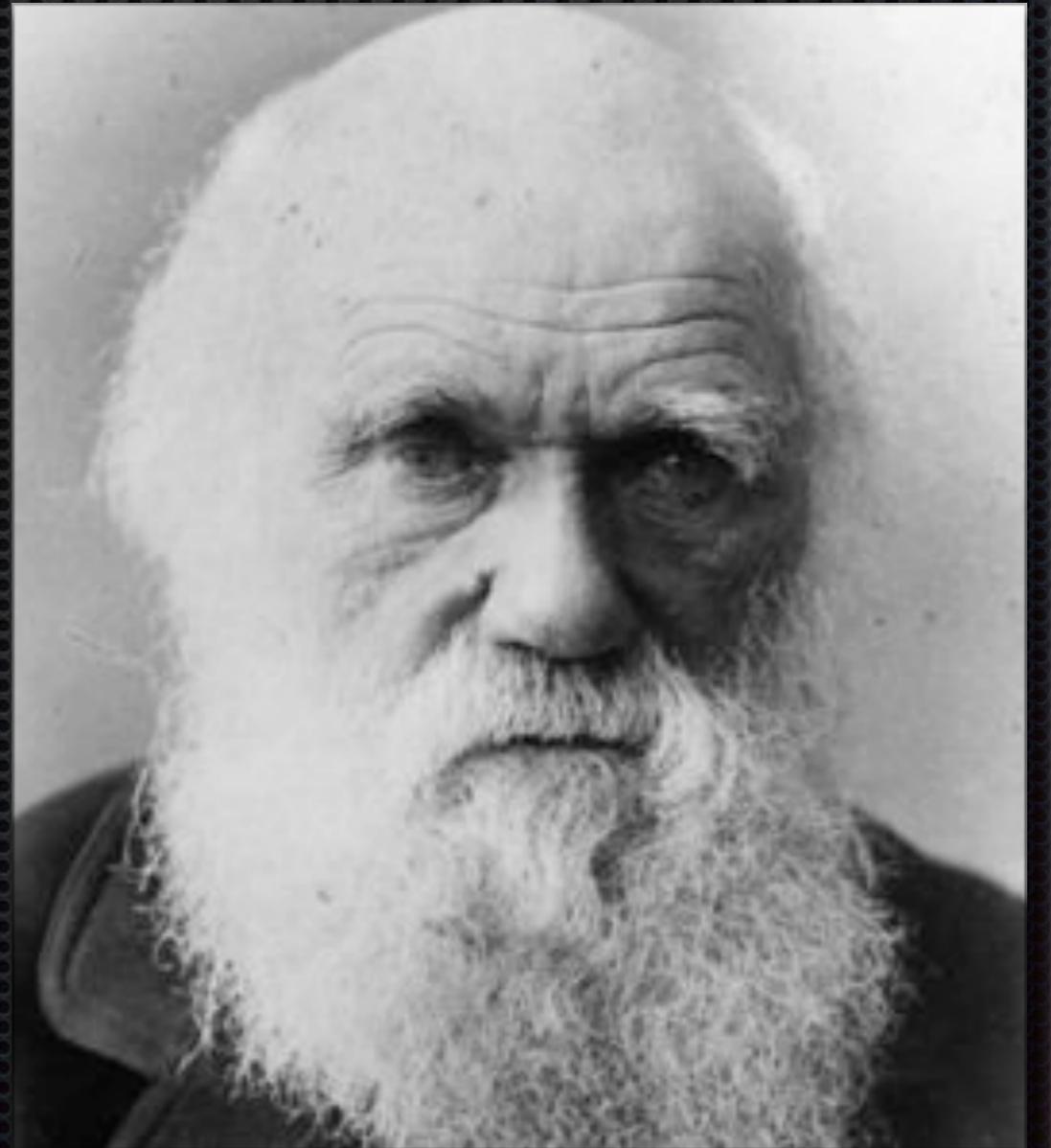
Free-market capitalism

- America functions on a system of capitalism
- Competition determines prices and wages for employees
- In the 1800s businesses believed in laissez-faire capitalism
- Government intervention would ultimately hurt the economy



Socialism

- Many believed that inequalities were natural
- Charles Darwin thought that people would need to compete for survival
- Stronger people, businesses, and nations would prosper while the weakest would fail—“survival of the fittest”

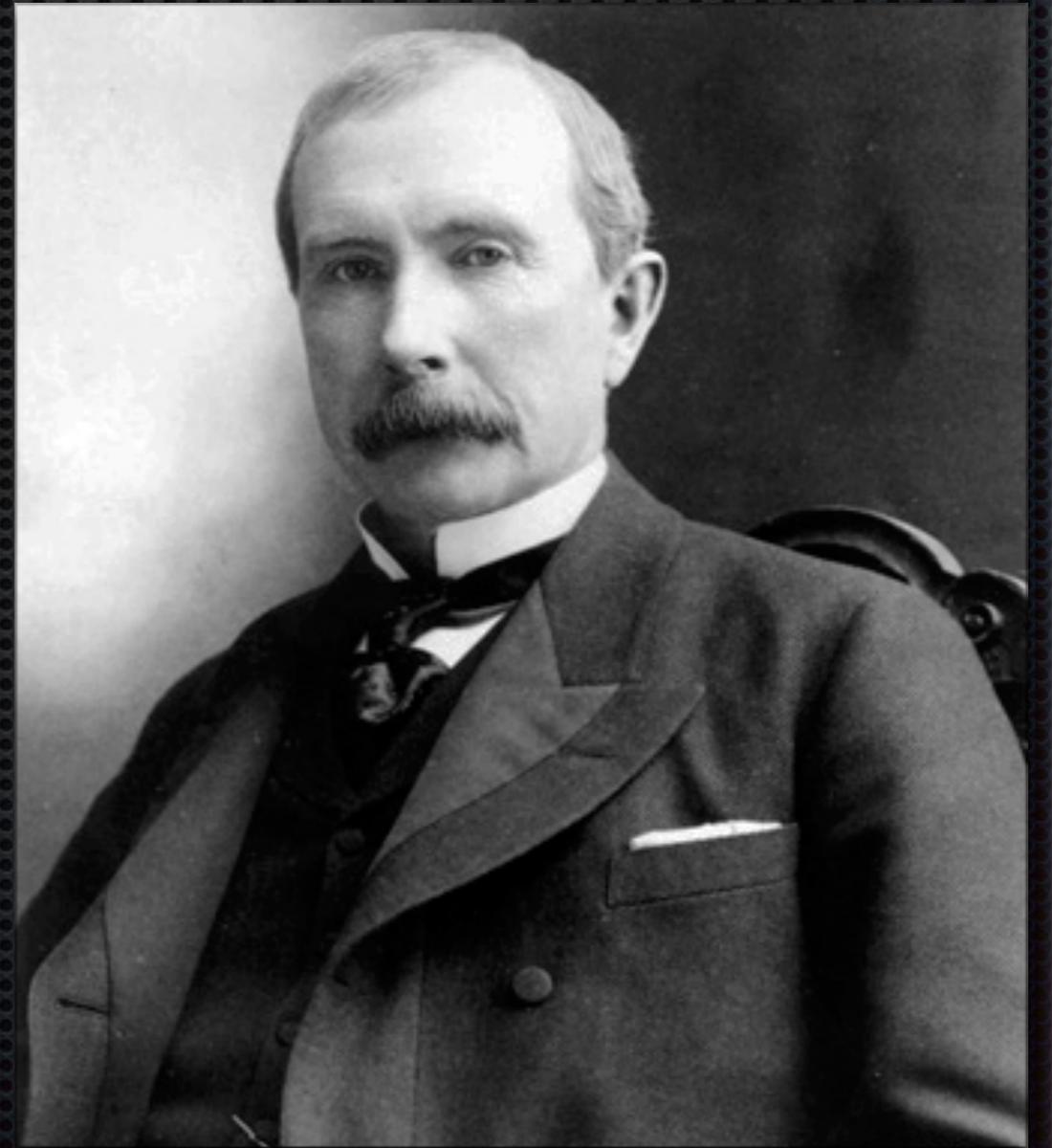


Changing business structures

- Proprietorships and partnerships (“Mom & Pop”)
 - Small businesses were run by individuals with had one or more owners; each owner would be responsible for all debts and obligations
- Corporations
 - Industry grows
 - Ownership structure changes; businesses are owned by stockholders, decisions are made by a board of directors
- Trusts and monopolies
 - Some companies merge and turned their stocks over to a board of trustees
 - Sometimes a trust gained a monopoly; had complete control of an industry and prices

Industrial tycoons

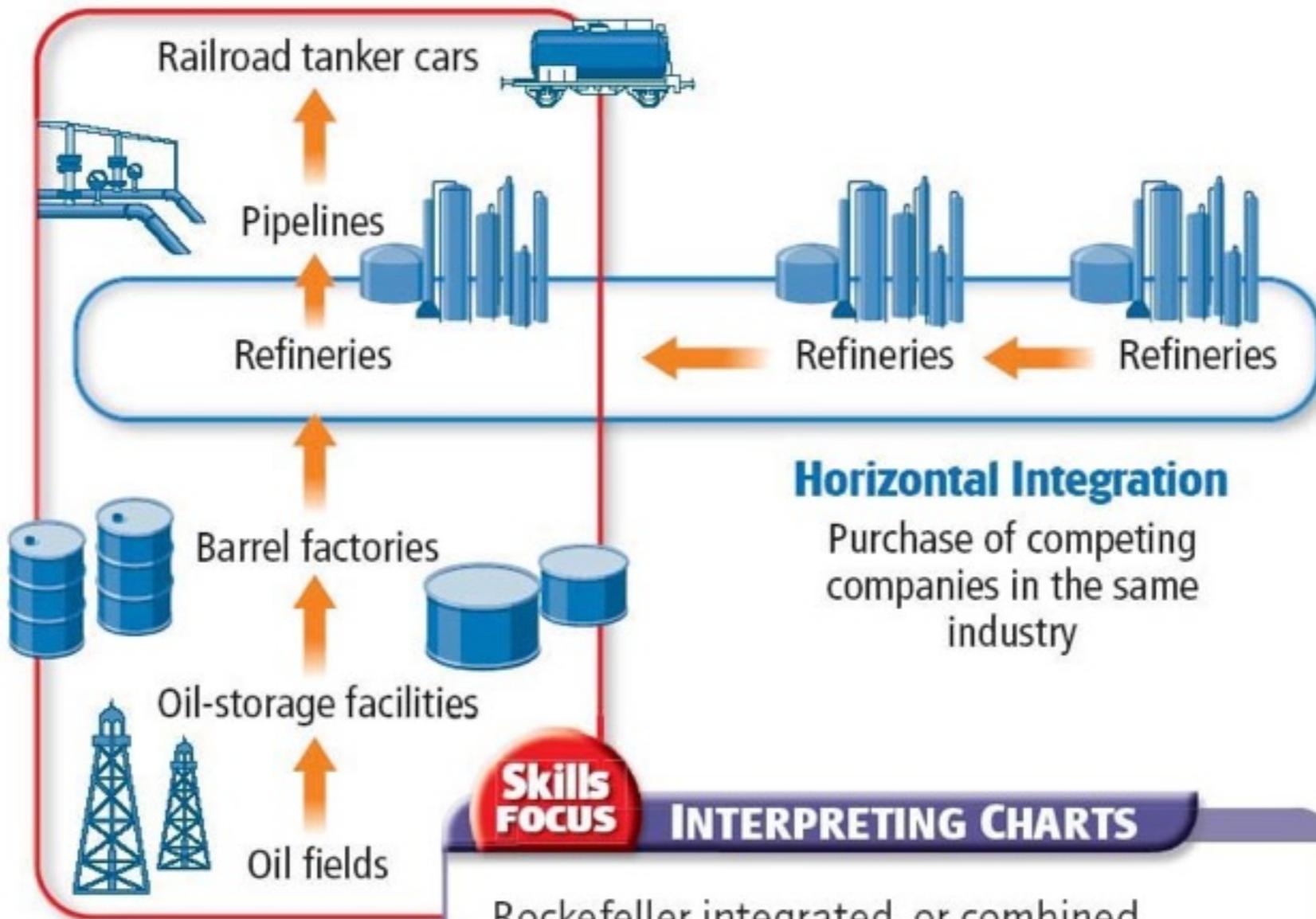
- ✦ John D. Rockefeller
- ✦ Controlled 90% of US oil by 1879
- ✦ Used horizontal and vertical integration to control the oil industry
- ✦ Horizontal integration: brings together companies that make the same product (other oil companies)
- ✦ Vertical integration: gaining control of different businesses that up a product's development (who uses oil)



VERTICAL AND HORIZONTAL INTEGRATION

Vertical Integration

Purchase of companies producing the supplies and the services upon which the main business depends



Horizontal Integration

Purchase of competing companies in the same industry

**Skills
FOCUS**

INTERPRETING CHARTS

Rockefeller integrated, or combined, businesses both vertically and horizontally to increase profits. *How do vertical and horizontal integration differ?*

See **Skills Handbook**, p. H15

Industrial tycoons

- ✦ Andrew Carnegie
- ✦ Controlled steel industry
- ✦ Uses his own money to fund Carnegie Steel, which would dominate by the end of the 19th century
- ✦ **Gospel of wealth**— people should be free to make as much money as they can, but also should give some away to those in need



Other industrial tycoons

- ✦ Cornelius Vanderbilt
 - ✦ Invested in railroads during the Civil War
 - ✦ Owned the New York Central Railroad Company
 - ✦ Supported few charities, but ended up giving money to a place which would become Vanderbilt University
- ✦ George Pullman (the Pullman Company)
 - ✦ Became wealthy designing sleeper cars for railroads—the Pullman car

A mixed legacy...

- ✦ Supporters of big business say...
 - ✦ Business tycoons made our economy more productive and stronger
 - ✦ They were "captains of industry"
- ✦ Critics say...
 - ✦ Tycoons were "robber barons"
 - ✦ Squeezed out competitors
 - ✦ Lived lavish lifestyles from ill-gotten rewards

Mass marketing

- ✦ Retailers look for new ways to maximize profits
 - ✦ Household goods are targeted towards women
 - ✦ Wholesome images were used to convey a sense of purity
 - ✦ Brand names helped customers remember products
 - ✦ The convenient department store in merged, Providing a variety of products
 - ✦ Stores bought in bulk, passing on savings to customers

Mass marketing

- ✦ Mail order companies gave country folk access to a variety of goods
- ✦ The Sears, Roebuck and Company was one of the first to offer this service
- ✦ Customers make selections, sent in payments, and waited for merchandise to arrive

