

Big Business

Chapter 3 Section 3
US History Honors

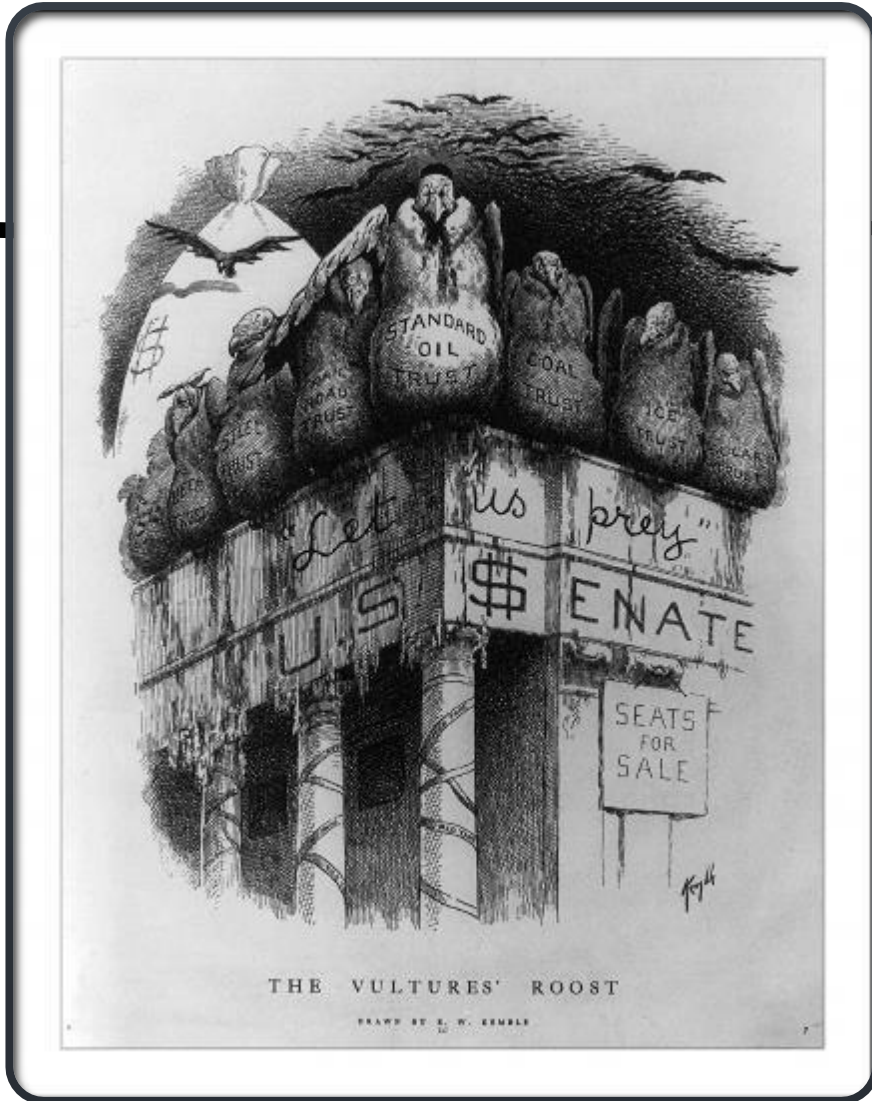
Progression of Learning

Directions: Throughout this lesson, you should consider the social, political, and economic causes, course and consequences of the 2nd Industrial Revolution in America.

Scale Score:	I can...
4	Complete a VENN diagram comparing the 1 st and 2 nd Industrial Revolutions in America.
3	Examine the social, political, and economic causes, course, and consequences of the 2nd Industrial Revolution that began in the late 19th Century.
2	identify the social <u>causes</u> of the 2 nd Industrial Revolution. explain the political <u>effects</u> of the 2 nd Industrial Revolution. describe the economic <u>impact</u> of the 2 nd Industrial Revolution.
1	with help from Ms. Ford or a peer, I can partially meet a level 2.
0	Even with help from Ms. Ford or a peer, I am still struggling to understand the 2 nd Industrial Revolution.

The Rise of Big Business

- 1900: Big Business dominates the economy!
 - Complexes of factories and distribution facilities
 - Corporations made big business possible
 - Companies achieved "economies of scale" - manufacturing costs decreased because of large quantities of goods.
 - Stockholders owned corporations through purchasing shares of stock.
- When did corporations become important? 1830s
 - During the 1st Industrial Revolution.
 - Freedom to form corporations was important to laissez-faire economics.



What kinds of costs do businesses face?

- 2 kinds: Fixed Costs & Operating Costs

What is a Fixed Cost?

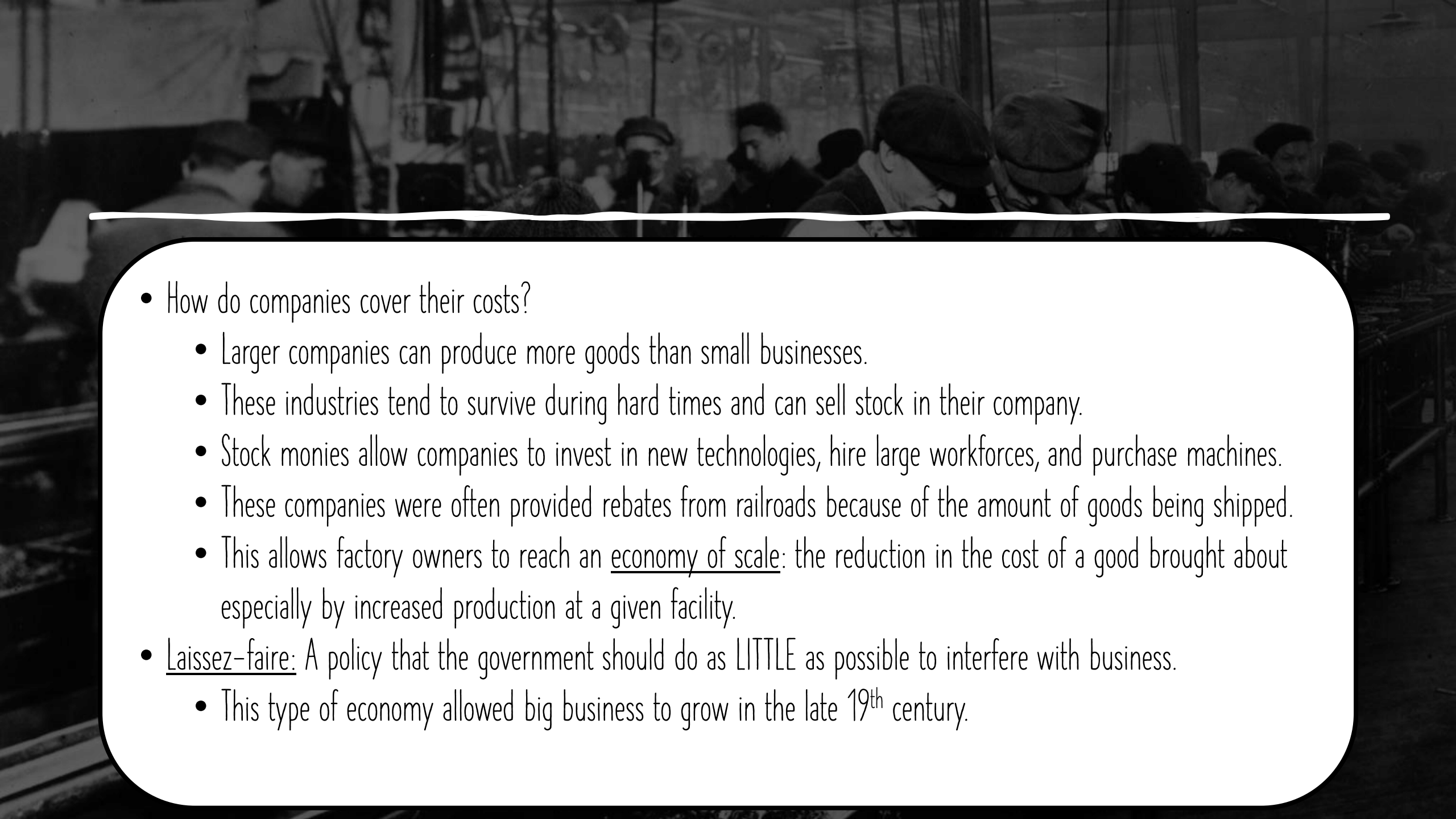
- What the company pays even when no one is working!
 - Loans, mortgages, taxes

What is an Operating Cost?

- Running a business costs owners wages, shipping, and raw materials.

What do companies do if sales drop?

- Temporarily shut down to save money.

- 
- How do companies cover their costs?
 - Larger companies can produce more goods than small businesses.
 - These industries tend to survive during hard times and can sell stock in their company.
 - Stock monies allow companies to invest in new technologies, hire large workforces, and purchase machines.
 - These companies were often provided rebates from railroads because of the amount of goods being shipped.
 - This allows factory owners to reach an economy of scale: the reduction in the cost of a good brought about especially by increased production at a given facility.
 - Laissez-faire: A policy that the government should do as LITTLE as possible to interfere with business.
 - This type of economy allowed big business to grow in the late 19th century.

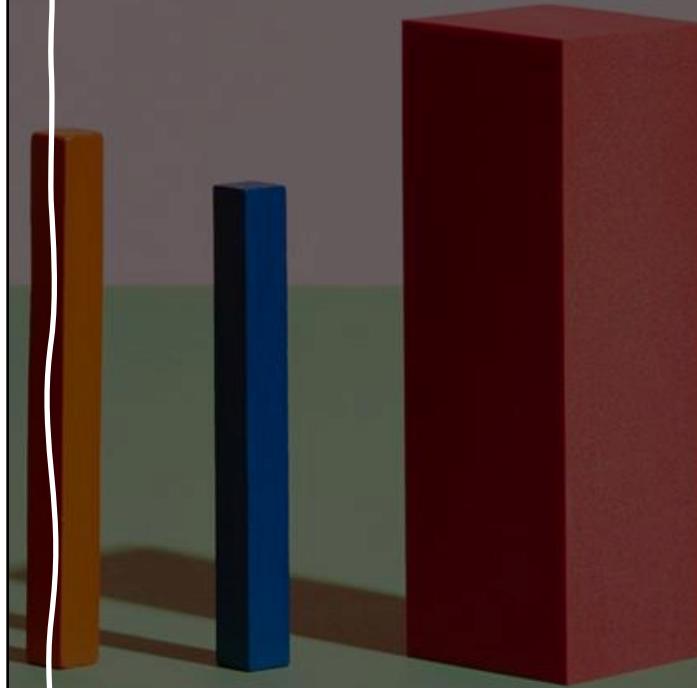
- Does a Laissez Faire economy benefit you and me (Consumers)?
YES!
- What is the problem?
 - Intense competition causes prices to fall
 - Cutting prices would endanger profits and operating costs

No government regulation
of business...



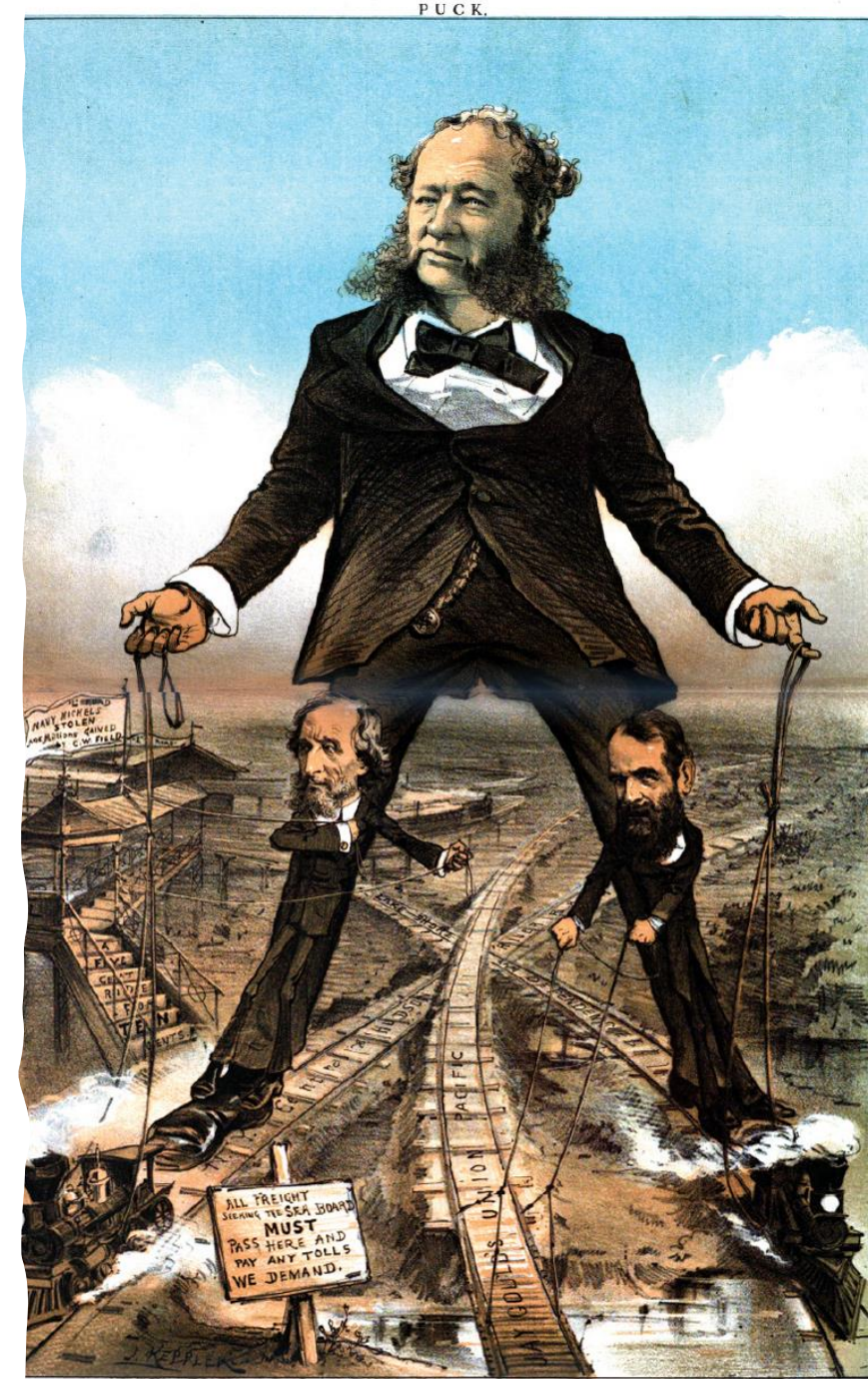
Price fixing, monopolies,
and corruption!

- America became suspicious of these new practices!
- Why? These practices interfere with competition and property rights.
- Laissez Faire economies lead to Monopolies...

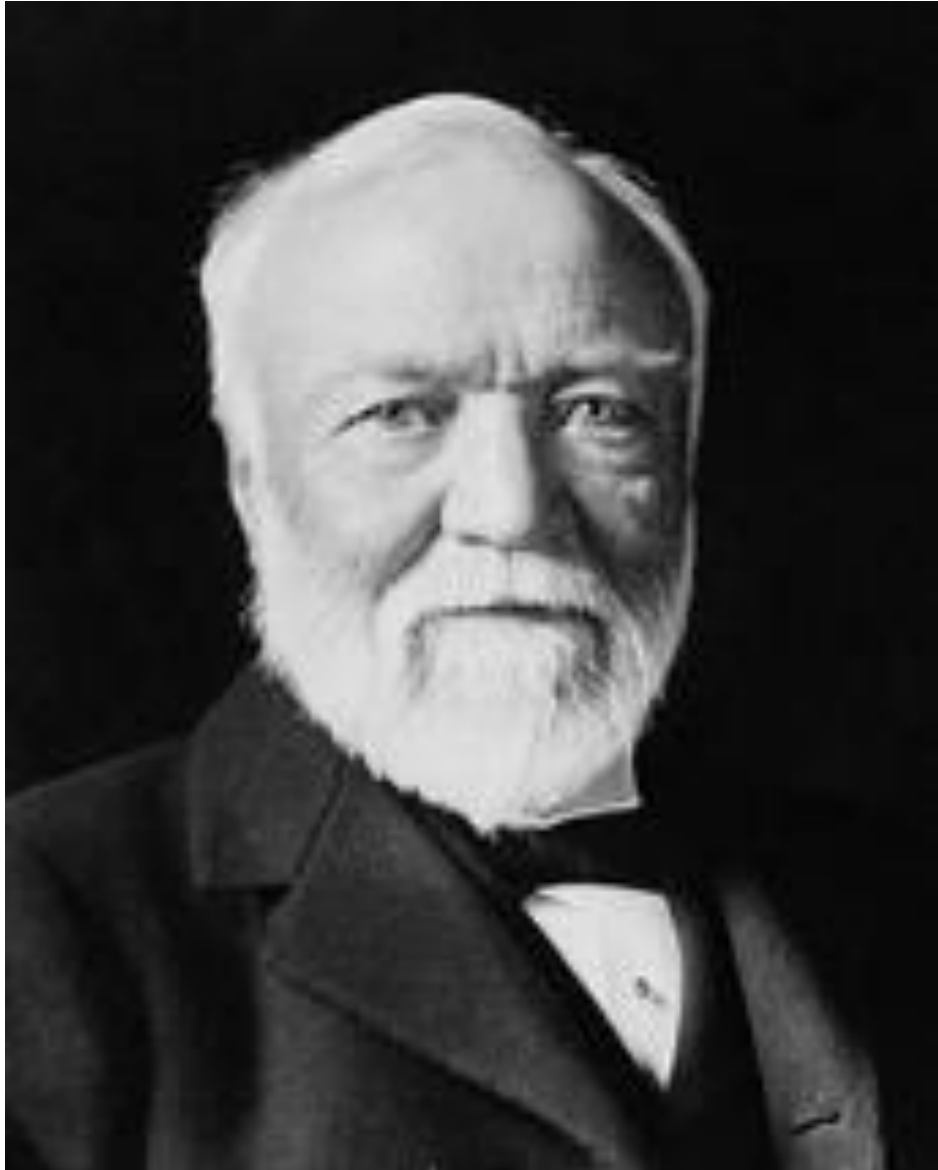


Consolidating Industry

- Does the laissez-faire economy benefit consumers? YES!
 - Intense competition leads to falling prices.
- Do industrialists like this practice? NO!
 - Cutting prices cuts profits.
- What is another problem with laissez faire economics?
 - NO GOVERNMENT REGULATION!
 - Companies could make multiple deals, undercut the competition, participate in ruthless practices.
- How did American courts respond?
 - Courts felt that laissez-faire interfered with



THE MODERN COLOSSUS OF (RAIL) ROADS.

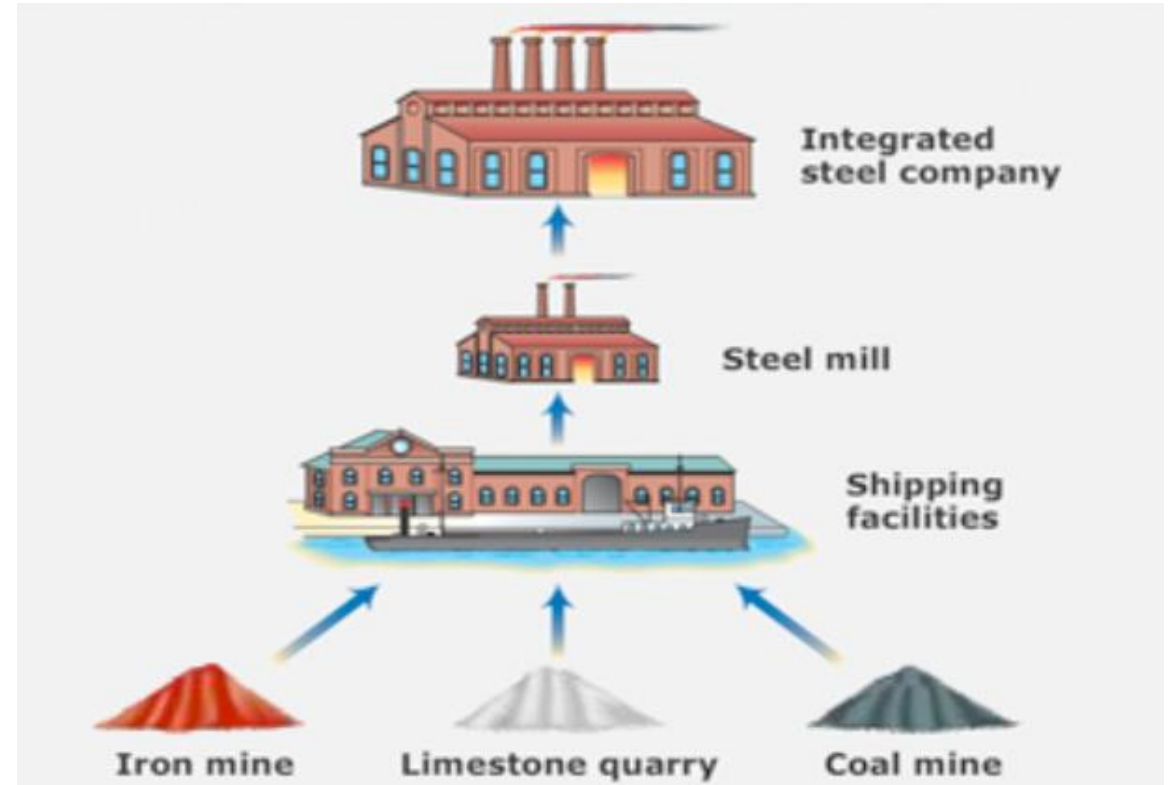


Andrew Carnegie and Steel

- How does Carnegie's Life help us understand Big Business in America?
 - Scottish Immigrant
 - Began working at age 12
 - Became a secretary for Thomas Scott - taught how business works
 - Carnegie became superintendent of the Pennsylvania Railroad
- How did Carnegie begin to advance?
 - Bought shares in iron mills and factories
 - Invested in companies making sleeping cars & locomotives
 - Invested in bridge building corporations

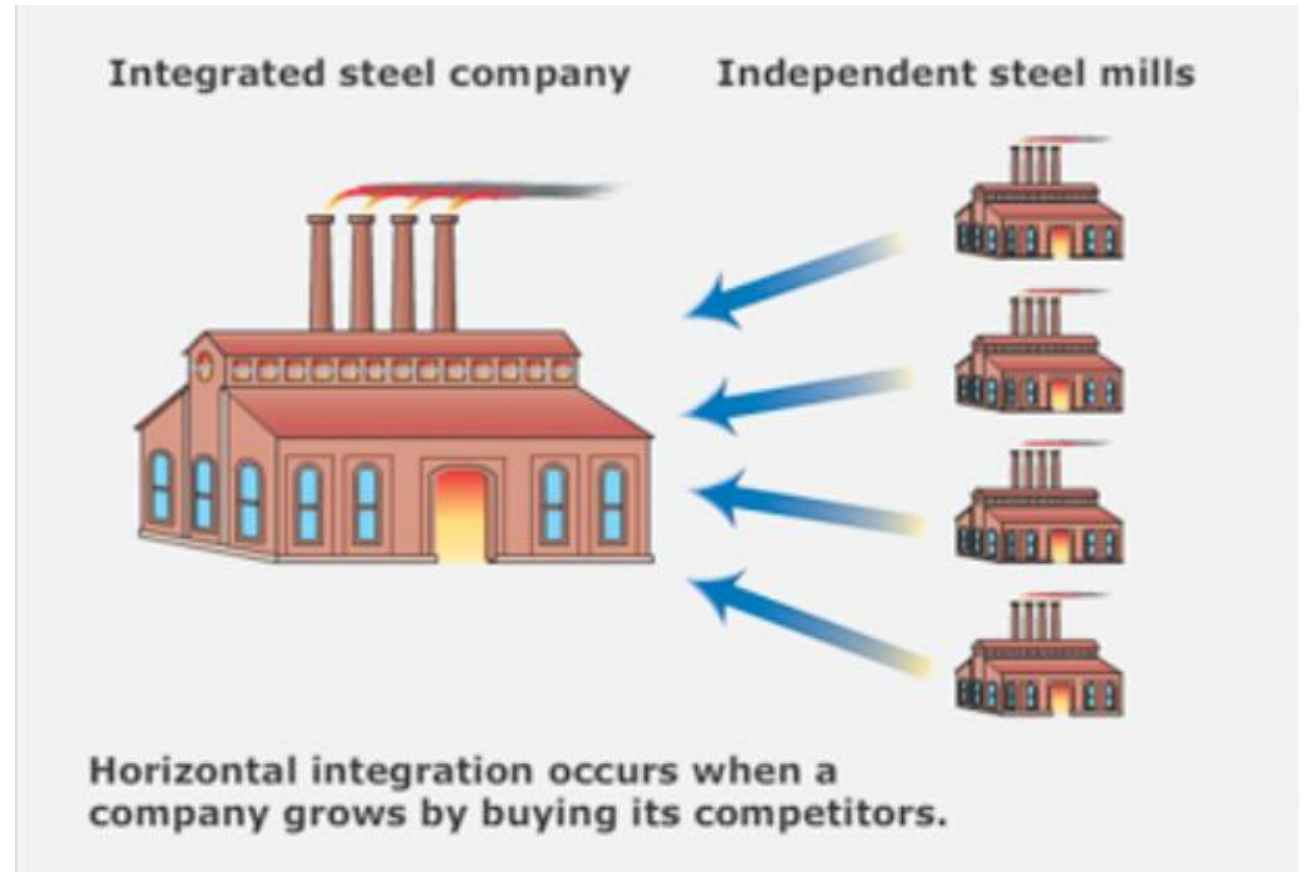
Vertical Integration

- New Business Strategies
 - Carnegie searches for ways to make better products more cheaply: Sir Henry Bessemer
 - Uses vertical integration—buys out suppliers to control materials
 - Carnegie controls almost the entire steel industry
 - Vertical integration SAVES money and allows for competition from others.



Rockefeller and Standard Oil

- Gilded Age: Period in US History from 1870–1900 that saw rapid industrialization, a swell of immigration, and minimum government regulation.
- What is another type of company in the Gilded Age?
 - Horizontal Integration: the combining of many firms engaged in the same type of business into ONE corporation (MONOPOLY)
- Horizontal Integration is COMMON in competition!
- This style of business puts competitors OUT OF BUSINESS.



New Businesses and Organizations

How did American people respond to MONOPOLIES? Americans FEARED monopolies.

- Monopolists could charge any price for goods or services.
- One of the costs of laissez-faire was powerful corporations with NO restrictions.

What is the difference between a trust, a monopoly, and a holding company?

- Trust: a combination of firms or corporations formed by a legal agreement, especially to reduce competition.
- Monopoly: the exclusive possession or control of the supply of or trade of a commodity or service.
- Holding Company: a company whose primary business is owning a controlling share of stock in other companies.



J. P. Morgan

- Investment banking will also transform America during this time.
 - The business of providing financial services for corporate and institutional customers, such as investing and raising capital and arranging mergers and acquisitions.
- J.P. Morgan was the most successful investment banker of this period.
 - Bought out Andrew Carnegie for \$492 million (14.8 billion in 2019).
 - He combined Carnegie Steel with other companies, forming U.S. Steel.
 - U.S. Steel became the first BILLION DOLLAR company in American history.

Progression of Learning

Directions: On the exit ticket provided, rate your understanding of the 2nd Industrial Revolution.

Turn your exit ticket
into the basket!

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