

# 3 ASSESS

Assign Section 3 Assessment as homework or as an in-class activity.

Have students use the **Interactive Tutor Self-Assessment CD-ROM**.

## Reading Essentials and Study Guide 9–3

Name \_\_\_\_\_ Date \_\_\_\_\_ Class \_\_\_\_\_

**Study Guide**  
Chapter 9, Section 3  
For each method, pages 319–323

**BIG BUSINESS**

**KEY TERMS AND NUMBERS**

**corporation** an organization owned by many people but treated by law as though it were a single person (page 320)

**shareholder** a person who owns a corporation through shares of ownership (page 320)

**stock** shares of ownership (page 320)

**economies of scale** ability of large manufacturing facilities to produce more goods more cheaply (page 320)

**fixed costs** costs a company has to pay whether it is operating or not (page 320)

**operating costs** costs that occur when running a company (page 320)

**trust agreement** agreement to maintain prices at a certain level (page 320)

## Section Quiz 9–3

Name \_\_\_\_\_ Date \_\_\_\_\_ Class \_\_\_\_\_

**Chapter 9**

**Section Quiz 9–3**

**Directions:** Matching. Match each item in Column A with the item in Column B. Write the correct letters in the blanks. (20 points each)

Column A

1. process for making high-quality steel efficiently and cheaply
2. agreement to maintain prices at a certain level
3. when a company owns all the different businesses on which it depends for its operation
4. became one of the most successful retail chains in American history
5. when a single company achieves control of an entire market

Column B

- A. Woolworth's
- B. pools
- C. Bessemer process
- D. monopoly
- E. vertical integration

## NATIONAL GEOGRAPHIC MOMENT IN HISTORY

Before the advent of the electric vacuum cleaner, the ritual of spring-cleaning involved moving furniture aside and taking carpets and rugs outdoors to beat the dust out of them.

### Reading Check

**Answer:** pools, vertical and horizontal integration, monopolies, trusts, and holding companies

## NATIONAL GEOGRAPHIC MOMENT IN HISTORY

### LABOR SAVERS

American inventiveness and the nation's growing industrial might combined to provide turn-of-the-century consumers with an ever-increasing array of products. Here, a homemaker wields an early electric vacuum cleaner. Mass-produced household devices had a tremendous impact on the lifestyles and buying habits of millions of middle-class Americans. In cities, huge shopping emporiums replaced the cozy dry goods stores of the 1800s. Even rural customers could buy an almost endless variety of merchandise from mail-order catalogues such as Sears, Roebuck and Montgomery Ward.



oil companies throughout the world forced the Standard Oil Company to keep its prices low.

**Trusts** By the late 1800s, many Americans had grown suspicious of large corporations and feared the power of monopolies. To preserve competition and prevent horizontal integration, many states made it illegal for one company to own stock in another without specific permission from the state legislature. In 1882 Standard Oil formed the first **trust**, a new way of merging businesses that did not violate the laws against owning other companies. A trust is a legal concept that allows one person to manage another person's property. The person who manages another person's property is called a trustee.

Instead of buying a company outright, which was often illegal, Standard Oil had stockholders give their stocks to a group of Standard Oil trustees. In exchange, the stockholders received shares in the trust, which entitled them to receive a portion of the trust's profits. Since the trustees did not own the stock but were merely managing it for someone else,

they were not violating the law. This arrangement enabled the trustees to control a group of companies as if they were one large merged company.

**Holding Companies** Beginning in 1889 the state of New Jersey further accelerated the rise of big business with a new general incorporation law. This law allowed corporations chartered in New Jersey to own stock in other businesses without any need for special legislative action. Many companies immediately used the New Jersey law to create a new organization called a **holding company**. A holding company does not produce anything itself. Instead, it owns the stock of companies that do produce goods. The holding company controls all of the companies it owns, effectively merging them into one large enterprise. By 1904 the United States had 318 holding companies. Together these giant corporations controlled over 5,300 factories and were worth more than \$7 billion.

**Reading Check Explaining** What techniques did corporations use to consolidate their industries?

## INTERDISCIPLINARY CONNECTIONS ACTIVITY

**Economics** Invite a representative from the Small Business Administration to speak to the class about the impact of small businesses on the community. Ask the speaker to address the basics of how one goes about setting up a small business. As a class, discuss the various ways that businesses can be financed. **L2**

## Selling the Product

The vast array of products that American industries churned out led retailers to look for new ways to market and sell goods. N.W. Ayer and Son of Philadelphia, for example, developed bold new formats for advertising. Large display ads with illustrations replaced the small-type line ads that had been standard in newspapers. By 1900 retailers were spending over \$90 million a year on advertising in newspapers and magazines sold across the nation. Advertising attracted readers to the newest retail business, the department store.

In 1877 advertisements billed John Wanamaker's new Philadelphia department store, the Grand Depot, as the "largest space in the world devoted to retail selling on a single floor." When Wanamaker's opened, only a handful of department stores existed in the United States; soon hundreds sprang up. Department stores changed the idea of shopping by bringing a huge array of different products together in a large, elegant building. They created an atmosphere that made shopping seem glamorous and exciting.

Chain stores, a group of similar stores owned by the same company, first appeared in the mid-1800s. In contrast to department stores, which offered many services, chain stores focused on thrift, offering low prices instead of elaborate service and decor. Woolworth's, a chain store that opened in 1879, became one of the most successful retail chains in American history.

To reach the millions of people who lived in rural areas in the late 1800s—far from chain stores or department stores—retailers began issuing

### Fact Fiction Folklore

**The New York Stock Exchange** In 1792 businesspeople met in New York City to establish a stock exchange—a marketplace for buying and selling stock in companies. At first, the new stock exchange was located under a buttonwood tree on Wall Street.

The organization took its present name, the New York Stock Exchange, in 1863. Huge amounts of the capital required for the nation's industrialization after the Civil War passed through the New York Stock Exchange.

As stock trading grew, investors across the nation needed financial news. In 1882 Henry Charles Dow and Edward D. Jones founded Dow Jones & Company. This new company sent bulletins on the day's business to Wall Street's financial houses. The day's last delivery contained a news sheet, which became the *Wall Street Journal* in July 1889.



mail-order catalogs. Two of the largest mail-order retailers were Montgomery Ward and Sears, Roebuck. Their huge catalogs, widely distributed through the mail, used attractive illustrations and friendly descriptions to advertise thousands of items for sale.

**Reading Check Identifying** What innovations did retailers introduce in the late 1800s to sell goods to consumers?

### Fact Fiction Folklore

Today *The Wall Street Journal* has the largest daily circulation of any newspaper in the United States.

### Reteach

Have students evaluate how Andrew Carnegie's innovations transformed the steel industry.

### Enrich

Ask students to create a Venn diagram comparing and contrasting the types of businesses from which people purchased goods in the 1880s and from which they purchase goods today.

### Reading Check

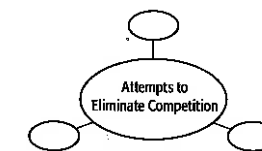
**Answer:** large display ads in newspapers, department stores, chain stores, and mail-order catalogs

# 4 CLOSE

Have students analyze how large corporations came to dominate American business.

## SECTION 3 ASSESSMENT

- Checking for Understanding**
1. **Define:** corporation, economies of scale, fixed costs, operating costs, pool, vertical integration, horizontal integration, monopoly, trust, holding company.
  2. **Identify:** stockholder, stock, Andrew Carnegie, Bessemer process.
  3. **List** the new methods of advertising and selling that helped push consumer goods in the late 1800s.
- Critical Thinking**
5. **Forming an Opinion** Do you think an individual today can rise from "rags to riches" like Andrew Carnegie did? Why or why not?
  6. **Organizing** Use a graphic organizer like the one below to list ways business leaders in the late 1800s tried to eliminate competition.



- Reviewing Themes**
4. **Economic Factors** What factors allowed corporations to develop in the United States in the late 1800s?

- Analyzing Visuals**
7. **Analyzing Photographs** Study the photograph on page 322 of a woman using an early electric vacuum cleaner. How would you compare this to today's vacuum cleaners? How do you think this one affected the lives of women in this era?

- Writing About History**
8. **Expository Writing** Write a newspaper editorial in which you explain why entrepreneurs such as John D. Rockefeller and Andrew Carnegie were a positive or a negative force on the U.S. economy in the late 1800s.

## SECTION 3 ASSESSMENT ANSWERS

1. Terms are in blue.
2. stockholder (p. 320), stock (p. 320), Andrew Carnegie (p. 320), Bessemer process (p. 321)
3. large display ads in newspapers, department stores, chain stores, mail-order catalogs
4. general incorporation laws
5. Students' answers will vary.
6. pools, trusts, monopolies, vertical and horizontal integration
7. today's are lighter; gave women more leisure time
8. Editorials should use clear arguments.