SOCIAL STUDIES 1106
UNITED STATES INVOLVEMENT AT HOME AND ABROAD

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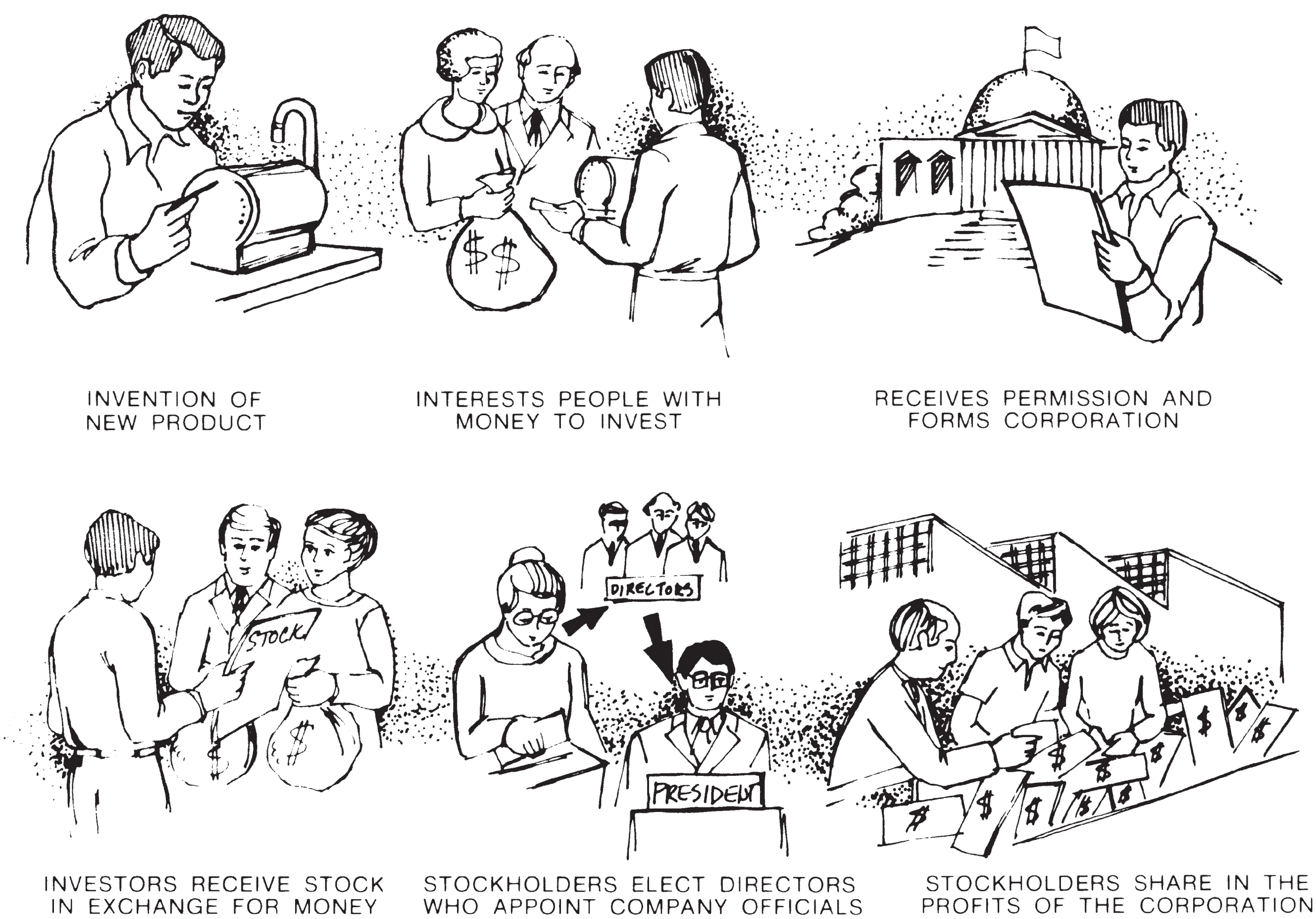
INDUSTRIAL TRENDS

As the wheels of industry continued their steadily increasing pace, the United States adjusted to meet industry's growing demands. As businesses expanded and merged, producing mammoth corporations, great demands arose for workers, drawing millions away from the farm who were seeking a better way of life in the city.

Birth of corporations. The Industrial Revolution continually progressed. Improved machine technology made much larger business organizations possible, and the potential of large-scale production demanded such larger organizations. Small companies were able neither to afford the newer, larger, more expensive machines nor to handle the increased production rate they could supply. Although it offered a desirable reduction of cost, large-scale production also brought added problems. These problems demanded specialization in both production methods and management. Small-scale business could not budget the necessary research scientists, engineers, and specialists necessary for increased production. Each of these essential components of large-scale industry required a great amount of capital, and only very large firms had the necessary funds to furnish them.

Therefore, as industrialism and technology flourished in the United States, the development of the **corporation** system was inevitable. To meet the increased financial demands of large-scale production, several companies and businessmen joined together in combining their capital—money, equipment, and other assets—to form one organization. A formal request was then submitted to the government, seeking permission to establish the corporations. In exchange for their money, people who wished to invest in the organization received **stock** certificates. In this way **stockholders** became



The Story of Corporation

part owners, electing the board of directors. The directors appointed company officials to determine corporation policies. Stockholders shared in the profits or losses of the corporation in proportion to the number of shares they possessed.

Corporations differed in the ways they were organized or combined. The most common type of merger took place when competing plants, producing the same goods, combined their assets to form one larger business. Other companies gained control of closely related industries. Thus these industries supplied all of their own production demands by bringing sources of raw materials, manufacturing, and distribution together. An example is the steel industry, which expanded to envelop coal fields, blast furnaces, and transportation facilities.

Large businesses enjoyed many advantages because of their large-scale production. If they did not already own their own raw material sources, such as mines and forests, they were given discounts when purchasing such materials in the large quantities necessary for mass production. Other financial advantages included the reduction of unit cost that results when items are produced in such great amounts and the use of better production methods developed by business specialists. These specialists also brought additional profits by the wisely organized management of men and materials. Improved means of transportation also boosted the growth of large corporations, allowing them to sell their goods throughout the nation and even worldwide. When depressions caused weaker competitors to declare bankruptcy, large businesses became even stronger by buying the ruined firms.

Thus, strong corporations expanded and developed in immense proportions, reducing competition and gaining **monopolies** of their trade. This result was precisely the goal of strong corporations: to eliminate competitors and to increase their own profits. Public benefits, such as reducing consumer costs and producing top-quality products, were of secondary importance.

Although this **consolidation** trend was evident in the 1880's, it became increasingly apparent in later years. By 1905, 11 per cent of the business firms controlled more than 80 per cent of the capital, employed 72 per cent of the laborers, and produced 79 per cent of the manufactured goods, an amazing monopoly of business.

Even though a large amount of corporation profits were recycled into the business, many individuals became wealthy and influential through industrial careers. Profiting greatly in the railroad industry were such financial giants as Edward H. Harriman, William Vanderbilt, and James J. Hill. John D. Rockefeller, controlling much of the oil industry through the Standard Oil Company, gained an enormous fortune; and Andrew Carnegie amassed millions through domination of the steel industry. J. P. Morgan accumulated rich financial rewards through his many banking achievements, and Henry Ford created an empire through the mass production of automobiles.

A deep feeling of prejudice arose among the average working class against the growing economic power of these industrial tycoons and their mighty corporations. Such opposition, however, proved as ineffective against these immense industries as had laws attempting to control them.

When Theodore Roosevelt took over the Presidency of the United States, the industrial situation began to change. Reviving earlier laws, Roosevelt strictly enforced them against any corporations he believed were charging exorbitant prices or selling low quality goods due to lack of competition. Although he lost some of his battles against big business, Roosevelt did succeed in focusing publicity on them. This change in publicity gained more cooperation from business and fairer treatment for the consumer.

Later measures taken in an attempt to control large corporations included the Clayton Anti-Trust Act of 1914 and the creation of the Federal Trade Commission. The Clayton Anti-Trust Act was developed under President Wilson. It not only strengthened previous corporation control laws, but also made certain methods big business used to crush competition illegal, such as having the same people on the board of directors of more than one like concern. The Federal Trade Commission was composed of five men appointed by the President. The Commission was responsible for seeing that **antitrust** laws were enforced and small businesses were protected. This protection gave the small business a chance to survive against the powerful corporations. Such measures tended to keep the power of big business consolidations and monopolies restrained and in check. The measures also gave the little man a fairer chance to compete against his larger competitors.

Because corporations tended to monopolize business, stifle competition, and thus sell inferior products at higher prices, laws were being passed to keep such undesirable practices under control. Labor laws were enforced to keep the powerful firms from exercising direct control over both the working and the living conditions of the people. With these negative trends in industry checked, corporations were accepted by most people in a positive way because of a national desire for economic improvement. Corporations not only employed more workers but also decreased unemployment. Corporations' large-scale production methods brought lower prices, a better quality, and a larger variety of merchandise to the consumer. In addition to these advantages, consumers could also invest their savings in the purchase of corporation stock, thus making worthwhile profits.

The United States reaped impressive benefits from the economic advantages of big business. Her citizens enjoyed the lower prices and greater availability of goods, and the United States also profited greatly. The economy not only met the demands of the people, but also touched lives around the world.

Write the influence of each of the following items on corporations.

2.1 stockholders ______________________________

____

2.2 business specialists ______________________________

____

2.3 Theodore Roosevelt ______________________________

____

2.4 Clayton Anti-Trust Act ______________________________

____

2.5 Federal Trade Commission ______________________________

____

Write the letter for the correct answer on each line.

2.6 Advantages corporations had over small business included (1) raw material discounts, (2) reduction of unit cost, (3) specialists, (4) better production methods, (5) antitrust laws. __________

a. 1, 2, 3, 4
b. 2, 3, 4, 5
c. 1, 2, 4, 5
d. 1, 3, 5

2.7 Dangers to the consumer brought about by the corporation trend included (1) monopolies, (2) check on big business, (3) stifling of competition, (4) selling inferior products, (5) controlling working and living conditions. __________

a. 1, 3, 4, 5
b. 2, 3, 4, 5
c. 1, 2, 3, 4
d. 1, 2, 4, 5

2.8 Corporation tycoons included (1) Harriman, (2) Hill, (3) Clayton, (4) Rockefeller, (5) Carnegie, (6) Morgan. __________

a. 1, 3, 5
b. 1, 2, 3, 5, 6
c. 1, 2, 4, 5, 6
d. 2, 3, 4, 5, 6

2.9 Government checks on big business included (1) laws controlling monopolies, (2) Clayton Anti-Trust Act, (3) Federal Trade Commission, (4) consolidation.

____

a. 1, 3, 4
b. 1, 3
c. 1, 2, 4
d. 1, 2, 3
e. 2, 3

2.10 Advantages to the United States brought about by corporations included (1) more workers employed, (2) lower prices, (3) better quality products, (4) chance to invest savings, (5) monopolies. __________

a. 1, 2, 3, 5
b. 1, 2, 3, 4
c. 2, 3, 4, 5
d. 1, 2, 4, 5
e. 1, 3, 4, 5

Answer these questions.

2.11 What were the steps involved in forming a corporation? __________

____

____

____

____

2.12 How would a business run by a born-again Christian differ in practice from one that is operated by someone who is not concerned about following God's will? __________

____

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____

____

____

Life style of cities. Pursuing a better economic life style for themselves and their families, masses of people were attracted by the Industrial Revolution from outlying farm districts to the urban areas. The lure of city excitement and factory salaries was irresistible to many rural farmers. Although some achieved their hopes of fame and fortune, most dreams were shattered by the dark reality of city life. After selling what little they had to be able to afford the move to the city, most of these people realized the predicament they had gotten themselves into only too late to return home. With their pockets empty from the costly move, people living in the city were economically forced to remain in the city.

Unable to afford homes or nice apartments on their meager salaries, newcomers found themselves crowded into inadequate housing facilities. Dirty and cramped, such tenements were usually four to six stories high. Each floor was divided into several family units composed of two to four poorly ventilated and dimly lit rooms. Although deplorable in any weather, conditions grew desperate during stifling hot summers and freezing, drafty winters.

Public services were practically nonexistent. Millions of people suffered from the lack of running water, garbage disposal, and sanitation facilities. The lack of public services led to constant outbreaks of sickness and disease. Sewage was often disposed of in the nearest river or lake. One water outlet was commonly shared by several families. The cramped, disorganized, and poorly kept tenements were also dangerous firetraps.

With thousands of people going to work at the same time, congestion became a common problem. All city workers could not use a common means of transportation. Most city workers had to walk hurriedly through overcrowded streets to reach their respective factories. Recreation space was also at a minimum, forcing children to play in the already congested streets or alleys.

Such frustrating urban conditions also gave birth to crime and immorality, especially in slum areas. Dirty, unkempt, congested, and ugly, the tenements stood in shocking contrast to the wholesomeness of country living.

On the farm the rural worker had enjoyed a life of independence and satisfaction. Even on the smallest farm a man was able to provide sufficient food for his family with enough surplus products to trade for the things the family could not produce with their own hands. Setting his own hours, the rural farmer had worked long and hard, but the labor was rewarding and satisfying. The farmer was his own boss, ordering his own life, neither pushed around by others nor driven harder than a normal working pace. Life's choices were clear; man could influence his own destiny. Thus, the drastically opposed life style of city living was an unbelievable shock. Man was no longer in charge of his own affairs. The confinements and problems of urban living virtually entrenched him in economic slavery. Individualism and self-reliance gradually became a thing of the past. In their place grew an increasing trend of interdependence. The city resident was forced to rely on others for employment, housing, food, and entertainment. The working man, at the mercy of his employer, was practically owned by the company or corporation. He was no longer ruler of his own destiny.

In spite of these conditions, millions of people continually poured into the nation's large urban centers, sincerely seeking to improve their economic positions. Rich tycoons, such as Rockefeller, Carnegie, and Vanderbilt, who were making their money in city-based businesses, served as a model for many farm youths who believed they could find their fortune in the city. The larger population and wealth of the urban areas certainly provided more cultural, educational, and recreational interests than the quieter rural life style.

Whatever the reasons, an increased number of people chose to make the city their home in the late nineteenth century. By 1860 eight cities boasted populations of over one hundred thousand with New York passing the million mark; by 1900 some forty-three thousand tenements in New York were occupied by about 1.5 million people.

Steadily mounting **urbanization** was more than a mere transfer of people from outlying farms and villages to the big city. Urbanization was a completely revolutionized way of life.

Complete this activity.

2.13 Fill in the chart comparing urban and rural living, making general statements.

	Urban	**Rural**
a. Job		
b. Living conditions		
c. Sanitation		
d. Atmosphere of family living		
e. Leisure time activities		
f. Man's self image		
g. Feelings about job		
h. Major problems		