



YONKERS PUBLIC SCHOOLS

US History and Government
Regents Review

Big Business

BUSINESS DEVELOPMENTS

Before the Civil War, sole proprietors, or single owners, and partnerships had controlled most American businesses. The mills and factories that came with industrialization, however, usually required greater capital, or money for investment, than one person or a few partners could raise.

The Growth of Corporations

To raise capital for expansion, many businesses became **corporations**. A corporation is a business in which many investors own shares, usually called stocks. In exchange for their investment, each stockholder receives a dividend, or part of the corporation's profits.

Besides paying dividends, the corporations also limited investor losses. If a corporation failed, an investor lost only his or her investment and was not responsible for the corporation's debts.

The money raised by corporations speeded the growth of American industry. Among the fastest growing industries were transportation (railroads, urban transportation, and, later, automobiles), building materials (steel), energy (coal, oil, and electricity), and communications (telegraph and telephone).

Other Forms of Business Organization

As the nation's economy boomed and industries grew larger in the late 1800s, other ways of organizing business appeared. Often the aim of such business organizations was to eliminate competition and dominate a particular area of the economy.

MONOPOLY A company or small group of companies that has complete control over a particular field of business is a **monopoly**. One example of a monopoly in the late 1800s was the E. C. Knight Sugar Company. Having a monopoly in a field often allowed a company to raise prices to almost any level it desired. Such abuses led to federal legislation aimed at curbing monopolies.

Some monopolies are permitted today. Public utility companies that provide gas, water, and electricity are examples of private companies that often have monopolies in their fields. Government agencies closely monitor the operations of such utilities.

by **merger**, the process by which one company acquires legal control over another. Mergers and conglomerates are both legal and common today. General Electric, for example, is a conglomerate that has acquired many different divisions through mergers.

POOL Sometimes competing companies in one field entered into agreements to fix prices and divide business. Such an agreement was a pool. Railroad companies in the late 1800s formed such pools, which were later outlawed.

TRUST A group of corporations in the same or related fields sometimes agreed to combine under a single board of trustees that controlled the actions of all the member corporations. This was a **trust**. Shareholders in the corporations received dividends from the trust but lost any say in its operation. The Standard Oil Trust was one example of such a combination. Trusts were later made illegal.

HOLDING COMPANY To get around the outlawing of trusts, corporations formed holding companies. The holding company bought controlling amounts of stock in different corporations rather than take operations over directly as a trust did.

CONGLOMERATE A corporation that has

Name: _____

- 1) A negative effect of holding companies, mergers, and pools on the United States during the late 19th century was that these combinations
 - 1) reduced the need for labor unions
 - 2) ended United States participation in international trade
 - 3) decreased competition between businesses
 - 4) encouraged the Federal Government to spend more than its income

- 2) In the decades after the Civil War, the major result of the shift from single proprietorship to corporate organization was that business was able to
 - 1) make more efficient use of natural resources
 - 2) concentrate on improving the quality of manufactured goods
 - 3) raise large sums of money
 - 4) provide workers with higher wages

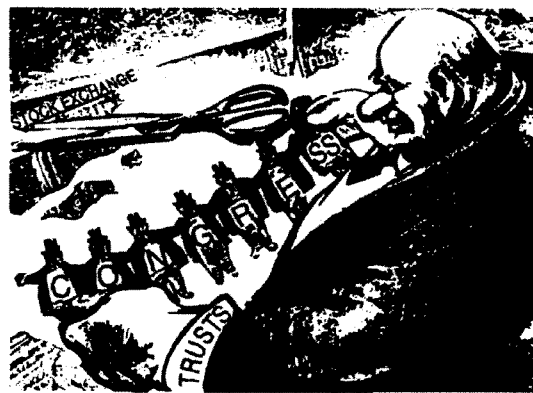
- 3) During the second half of the 19th century, a major goal of new types of business organizations was to
 - 1) support the large number of government regulations
 - 2) compete successfully with Japanese imports
 - 3) consolidate the manufacture and distribution of products
 - 4) introduce safer and less expensive products to consumers

- 4) The corporate form of business became dominant in the late 19th century mainly because of the need of business for
 - 1) a supply of cheap labor
 - 2) protective tariffs
 - 3) assembly-line production
 - 4) large amounts of investment capital

- 5) After the Civil War, the corporation became an important form of business organization in the United States because corporations
 - 1) enabled management to have close contact with workers
 - 2) were owned by local governments
 - 3) received the support of organized labor
 - 4) created large amounts of investment capital

- 6) In the late 19th century, the major goal of trusts was to
 - 1) encourage the formation of new businesses
 - 2) eliminate competition
 - 3) help workers improve their relations with management
 - 4) cooperate with government agencies

- 7) What is the *main* idea of the cartoon below?



(adapted)

- 1) Big business is distressed because it cannot control congressional actions.
 - 2) Congress has placed too many regulations on the stock exchange.
 - 3) Big business has excessive influence on governmental decisions.
 - 4) The members of Congress desire to curb the abuses of big business.
-
- 8) One advantage of a corporation over an individually owned business is that the corporation has
 - 1) unlimited legal liability for damages
 - 2) easier access to investment capital
 - 3) a closer relationship between labor and management
 - 4) exemption from prosecution under antitrust laws

 - 9) Industrialists of the late 1800's contributed most to economic growth by
 - 1) opposing protective tariffs
 - 2) supporting the efforts of labor unions
 - 3) encouraging government ownership of banks
 - 4) establishing large corporations

- 10) Industrialists of the late 1800's used pools and trusts to
- 1) work cooperatively with labor unions
 - 2) exclude immigrant workers from factory jobs
 - 3) promote fair business practices in the marketplace
 - 4) increase profits by minimizing competition
- 11) Which is a valid statement about the economy of the United States during the period 1865 to 1900?
- 1) There was a trend toward the growth of large business.
 - 2) Business was strictly regulated by the Federal Government.
 - 3) The gross national product steadily decreased.
 - 4) Barriers to international trade were abolished.
- 12) Which situation brought about the rapid growth of industry between 1865 and 1900?
- 1) availability of investment capital
 - 2) decline in the number of people attending schools
 - 3) high worker morale resulting from good wages and working conditions
 - 4) establishment of western reservations for Native American Indians
- One advantage of a corporation over other forms of business organization in the United States economy is that a corporation can
- 1) operate without being taxed
 - 2) prevent strikes
 - 3) acquire large amounts of capital
 - 4) operate as a monopoly
- 14) In the late 1800's, why did corporations replace individual proprietorships and partnerships as the dominant form of business organization?
- 1) Corporations encouraged a more personal relationship between factory owners and workers.
 - 2) Corporations could raise large amounts of capital more easily.
 - 3) Partnerships and individual proprietorships could not borrow money from banks.
 - 4) Government aid could not be given to partnerships and individual proprietorships.
- 15) Corporations have advantages over sole proprietorships and partnerships because they
- 1) have fewer government regulations than other types of businesses have
 - 2) can raise large amounts of capital
 - 3) are more easily organized
 - 4) exist only as long as the original owner lives
- 16) In the United States, corporations became the dominant form of business organization in the late 19th century mainly because
- 1) government regulated their development
 - 2) proprietorships became too complex to run
 - 3) industries needed large amounts of capital
 - 4) large numbers of jobs were needed for the immigrants
- 17) The primary purpose of forming a corporation is to
- 1) allow for greater accumulation of investment capital
 - 2) obtain higher wages for industrial workers
 - 3) gain control over a particular industry
 - 4) force down the price of manufactured articles
- 18) The corporation became a popular form of business organization during the post-Civil War period because it
- 1) enabled corporate executives to supervise daily business activities more closely
 - 2) made it possible for business concerns to raise more capital
 - 3) appealed to farmers anxious to increase production
 - 4) encouraged industrial workers to form business cooperatives
- 19) Which statement *best* describes a major economic trend in the United States during the period from 1865 to 1900?
- 1) Workers determined working conditions and factory output.
 - 2) Many business practices were developed to eliminate competition.
 - 3) The gross national product decreased steadily
 - 4) Basic industries were taken over by the government.

- 20) After the Civil War, one way business leaders tried to eliminate competition was by
- 1) increasing the prices of their products
 - 2) paying high wages to their workers
 - 3) forming monopolies or trusts
 - 4) developing overseas markets
- 21) During the late 1800's, a major purpose of pools, trusts, and holding companies in United States business practices was to
- 1) reduce competition
 - 2) share management skills
 - 3) lower corporate income taxes
 - 4) promote socialist policies
- 22) Businesses formed trusts, pools, and holding companies mainly to
- 1) provide employment opportunities for minorities
 - 2) offer a wide range of goods and services to consumers
 - 3) protect the interests of workers
 - 4) increase profits by eliminating competition
- 23) Businesses formed trusts and monopolies during the late 19th century mainly to
- 1) eliminate competition
 - 2) provide consumers with products made solely in the United States
 - 3) diversify their product lines
 - 4) lower the cost of consumer goods
- 24) Which major economic development occurred during the late 1800's in the United States?
- 1) loss of tariff revenues as a result of a drop in imports
 - 2) creation of monopolistic trusts to control numerous industries
 - 3) domination of business by strong labor unions
 - 4) growth of plantation-style agriculture in the West
- 25) As the United States became industrialized, an important effect of mechanization and the division of labor was that
- 1) smaller industries had difficulty maintaining their competitiveness
 - 2) the price of most manufactured goods increased
 - 3) the demand to improve transportation systems decreased
 - 4) pools and trusts became less efficient forms of business organization
- 26) The *main* reason competing corporations often combine resources is to
- 1) avoid unreasonable restraint of trade
 - 2) reduce the price of goods to benefit consumers
 - 3) create a monopoly over the production and distribution of goods
 - 4) increase personal contacts with employees
- 27) During the latter half of the 19th century, many business organizations in the United States combined into large corporations because
- 1) economic possibilities outside the United States could be explored
 - 2) government intervention in economic affairs would decline
 - 3) income levels for workers would be improved
 - 4) efficiency in production methods could be increased
- 28) Which statement concerning corporations in the United States after 1865 is most accurate?
- 1) Corporations became a dominant form of business organization.
 - 2) The Sherman Antitrust Act declared corporations illegal.
 - 3) Businesses formed corporations mainly to secure discounts on large purchases.
 - 4) Corporations encouraged economic competition.

29) The corporation became a popular form of business organization after the Civil War because corporations

- 1) enable owners to have greater contact with their employees
- 2) are more easily regulated by government
- 3) offer advantages in raising capital and provide legal protection for owners
- 4) give workers an increased voice in the operation of business

30) In the United States during the late 1800's, the corporate form of business organization became increasingly important mainly because

- 1) corporations promoted increased interaction between employer and employees
- 2) state and Federal legislation restricted the growth of sole proprietorships
- 3) Federal legislation encouraged the private ownership of business
- 4) corporations could generate large amounts of capital with limited liability for investors



- 1) alienated business leaders by ignoring their interests
- 2) was heavily influenced by big business
- 3) refused to admit special interest groups to Senate hearings
- 4) passed strong antitrust legislation despite the opposition of big business