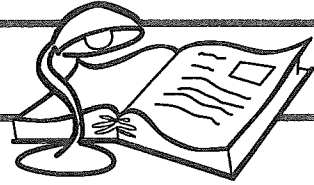


# Study Guide



## Chapter 3, Section 2

For use with textbook pages 243–251

### INDUSTRIALIZATION

#### CONTENT VOCABULARY

- gross national product** the total value of all goods and services produced by a country (page 244)
- entrepreneurs** people who risk their capital in organizing and running a business (page 245)
- laissez-faire** belief that government should not interfere in a nation's economy (page 245)
- corporation** an organization owned by many people but treated by law as though it were a single person (page 248)
- vertical integration** the joining of different types of businesses that are involved in the operation of a particular company (page 249)
- horizontal integration** the joining of many firms involved in the same type of business into one large corporation (page 249)
- monopoly** total control of a type of industry by one person or one company (page 249)
- marxism** theory of socialism in which workers would struggle to create a society without classes (page 250)
- industrial union** unions that represented all craft workers and common laborers in a particular industry (page 250)
- closed shop** a system in which companies could only hire union members (page 251)

#### DRAWING FROM EXPERIENCE

What are unions? Why do people join unions? Do you think unions are important for workers? Why or why not?

This section discusses the reaction of workers to big businesses—the rise of unions.

#### California History-Social Science Standards

**11.1** Students analyze the significant events in the founding of the nation and its attempts to realize the philosophy of government described in the Declaration of Independence.

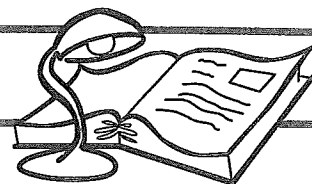
**11.2** Students analyze the relationship among the rise of industrialization, large-scale rural-to-urban migration, and massive immigration from Southern and Eastern Europe.

**11.6** Students analyze the different explanations for the Great Depression and how the New Deal fundamentally changed the role of the federal government.

**Focuses on:** 11.1.4, 11.2.1, 11.2.5, 11.2.6, 11.6.5

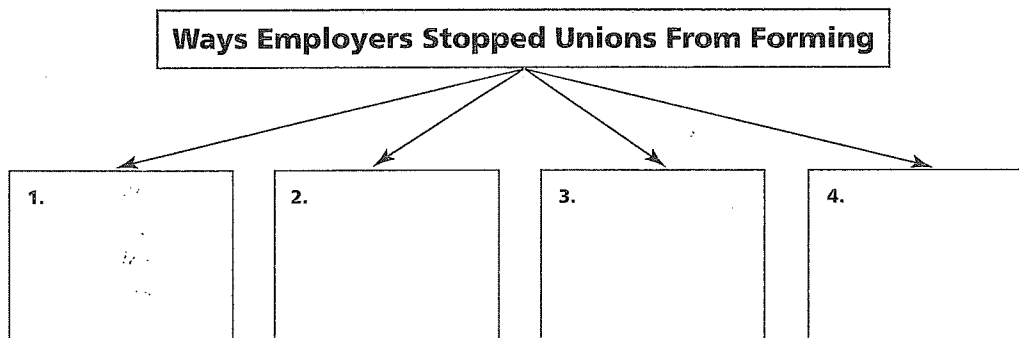
# Study Guide

## Chapter 3, Section 2 (continued)



### ORGANIZING YOUR THOUGHTS

Use the diagram below to help you take notes. Employers in the late 1800s tried to stop unions from forming. Describe four of these actions in the chart.



### READ TO LEARN

#### • The United States Industrializes (page 244)

After the Civil War, industry grew rapidly. Many people left their farms to find work in factories. By the early 1900s, the United States had become one of the world's leading industrial nations. By 1914 the **gross national product** (GNP), or the total value of all goods and services produced by a country—was eight times greater than it had been at the end of the Civil War.

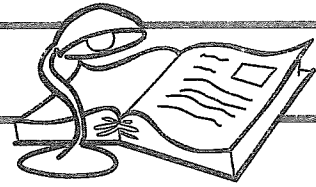
One reason that industries expanded was that the United States had many natural resources that industries needed. Factories could get these resources cheaply without having to import them. Many resources were located in the West. The transcontinental railroad brought settlers to the region and moved the resources to the factories in the East.

At the same time, a new resource—petroleum—was being developed. This resource was in demand even before the automobile was invented. Petroleum could be turned into kerosene, which was used in lanterns and stoves. The American oil industry was built on the demand for kerosene. Oil production helped to expand the nation's economy.

In addition to natural resources, a population increase provided factories with a larger workforce. It also provided a demand for the goods that these factories produced. The population increase was the result of large families and an increase in immigrants. Between 1870 and 1910, about 20 million immigrants came to the United States.

The United States's industries also expanded because of the free enterprise system. In the late 1800s, Americans took on a **laissez-faire** policy toward the economy. Those who supported it believed that the government should not interfere in the economy. Laissez-faire relies on supply and demand, not the

# Study Guide



## Chapter 3, Section 2 (continued)

government, to set prices and wages. The theory states that a free market, in which companies compete, leads to more wealth for everyone. It also proposes that taxes should be low and the government's debt should be kept limited. The idea of gaining wealth attracted people into businesses. **Entrepreneurs**, or people who risk their capital in organizing and running a business, began developing businesses in hopes of making profits for themselves.

In the late 1800s, the United States government practiced laissez-faire. It kept taxes and spending low. It did not pass laws to regulate industries, and it did not control prices. In some ways, however, the government introduced policies that were intended to help industry.

Inventions also contributed to the growth of industries. In 1876 Alexander Graham Bell developed the telephone. This invention changed both business and personal communication.

Thomas Alva Edison created many inventions. Two major inventions were the phonograph and the light bulb. In 1882 the Edison Electric Illuminating Company began to supply electric power to customers in New York City. Electric power changed American society.

New methods and inventions increased production in many industries. These changes resulted in lower prices for American consumers.

5. How did the invention of the telephone change American society?

---

---

---

---

### Academic Vocabulary

**practice:** to do something repeatedly so it becomes the standard (p. 245)

### • The Railroads: Linking the Nation (page 246)

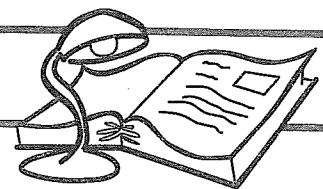
In 1862 President Lincoln signed the Pacific Railway Act. This law called for the building of a transcontinental railroad by the Union Pacific and the Central Pacific railroad companies. To encourage the companies, the government gave each company land along the route of the tracks. On May 10, 1869, the first transcontinental railroad was completed.

By 1865 the United States had hundreds of unconnected railroad lines. Railroads began to combine them into fewer connected rail lines. To make rail service more reliable, in 1883 the American Railway Association divided the country into four time zones where the same time was kept.

The large railroad systems benefited the nation in many ways. They could shift rail cars from one section of the country to another. Long-distance transportation was faster. New technology allowed railroads to put longer and heavier trains on their lines. More powerful locomotives helped make railroad operations more efficient and less expensive. Railroads also united people from different regions of the country.

# Study Guide

## Chapter 3, Section 2 (continued)



The government helped encourage railroad building by giving many railroad companies land grants. Railroads would then sell the land to settlers and businesses to raise the money they needed to build the railroad. By the 1860s, the railroads owned an area of land larger than New England, New York, and Pennsylvania combined. Some railroad companies earned enough money from the land grants to pay for the entire cost of building their lines.

Some railroad entrepreneurs in the late 1800s got their wealth by cheating investors and taxpayers, bribing government officials, and cheating on their contracts. Bribery occurred often with federal and state governments.

Not all railroad entrepreneurs were robber barons, or people who loot an industry and give nothing back. James J. Hill, an entrepreneur, built the Great Northern Railroad without federal land grants. The Great Northern became the most successful transcontinental railroad and the only one that did not eventually go bankrupt.

6. What was a robber baron?

---

---

---

---

### • The Rise of Big Business (page 248)

By 1900 big businesses dominated the nation's economy. Big businesses became possible because of the **corporation**. This is an organization owned by many people but treated by law as though it were a single person. The people who own a corporation are called stockholders. They own shares of ownership called stock. By issuing stock, a corporation can raise large amounts of money while spreading out the financial risk. Corporations used the money they received from selling stock to invest in new technologies, to hire many workers, and to buy many machines.

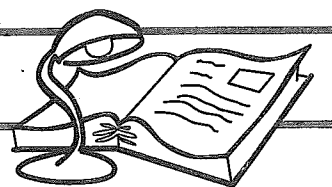
Small businesses had high operating costs, so they could not compete with big businesses and many went out of business. Many people criticized the corporations for cutting prices. They believed that these corporations used their wealth to drive small companies out of business.

To make his business even bigger, Andrew Carnegie, the owner of a steel company, began the **vertical integration** of the steel industry. A vertically integrated company owns all the different businesses that it depends on to run. Carnegie's company bought coal mines and iron ore fields. Owning these companies saved Carnegie money and made his company bigger.

Business leaders also looked to **horizontal integration**, which involved combining many companies involved in the same business into one large corporation. When a single company gains control of an entire market—from

# Study Guide

## Chapter 3, Section 2 (continued)



raw materials to distribution—it becomes a **monopoly**. Many people opposed monopolies because they believed that a monopoly could charge whatever price it wanted for its products. Some people, however, believed that monopolies helped to keep prices low because raising prices would cause the competition to reappear.

Many states made it illegal for a company to own stock in another company without getting permission from the state legislature. As a result, in 1882 the Standard Oil Company formed the first trust. This was a new way of combining companies that did not go against the laws that made owning other companies illegal. A trust is a legal concept that allows a person to manage another person's property. The person who manages another person's property is called a trustee.

Many companies also created a new organization called a holding company. A holding company owns the stock of companies that produce goods. The holding company controls all the companies, combining them into one large corporation.

### Academic Vocabulary

**distribution:** the act of shipping products from a central location to a vast amount of customers (p. 248)

### Academic Vocabulary

**concept:** an abstract idea which can be put into practice (p. 249)

7. In what two ways did Andrew Carnegie and other business leaders try to make their businesses larger?

---

---

---

### • Unions (page 249)

Conditions for workers in industries were difficult. Work was monotonous and repetitive. Workers often worked in unhealthy and unsafe environments. However, industrialization brought people a higher standard of living.

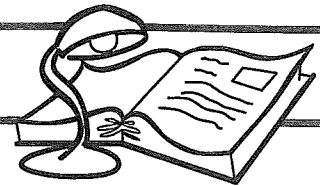
The difference in the standard of living between the wealthy owners and the working class was great. Many workers decided that the best way to improve their conditions was to organize into unions.

Workers who wanted to organize unions faced several problems. No laws gave them the right to organize. Some people thought that unions threatened American institutions. Others believed that unions were influenced by **Marxism**—the ideas of Karl Marx. Marx believed the basic force that shaped society was the conflict between workers and owners. He believed that eventually workers would revolt, take control of the factories, and overthrow the government. He believed that then the government would take all private property and distribute wealth evenly among everyone. Marxism greatly influenced European unions.

As Marxist ideas spread in Europe, thousands of European immigrants began arriving in the United States. Some Americans began associating

# Study Guide

## Chapter 3, Section 2 (continued)



European immigrants with anarchism. Because many workers were European immigrants, these Americans also became suspicious of unions.

Employers had to deal with trade unions because they needed the skills the workers in the unions had. However, they thought unions interfered with property rights. Employers of large corporations particularly opposed **industrial unions**. These unions represented all craft workers and common laborers in a particular industry.

Employers tried to stop unions from forming in their companies in several ways. They required workers to sign contracts promising not to join unions. They hired detectives to point out union organizers. Those who tried to start a union or strike were fired and placed on a blacklist—a list of “troublemakers.” Once a worker was blacklisted, a person found it almost impossible to get hired. If workers did form a union, companies often used a lockout to break it. The employers locked workers out of the factory and refused to pay them. If the union called a strike, employers would hire replacement workers.

Although industrial unions were not very successful in the late 1800s, trade unions were. Over twenty of the nation’s trade unions organized the American Federation of Labor (AFL). Samuel Gompers was the union’s first leader. He believed that unions should stay out of politics. He believed that they should fight for things such as higher wages and better working conditions. He preferred negotiation over strikes. The AFL had three goals. It tried to convince companies to recognize unions and to agree to negotiations. It pushed for **closed shops**, in which companies hired only union members. It pushed for an eight-hour workday.

By 1900 the AFL was the largest union in the country. However, by 1900 most workers in the nation were still not union members.

After the Civil War, the number of women who earned wages increased. About one-third of these women worked as servants. Another third worked as teachers, nurses, or secretaries. The final third were industrial workers. Many of these women worked in clothing and food processing factories. Women were paid less than men, and most unions did not include women. As a result, in 1903 two women founded the Women’s Trade Union League (WTUL). This was the first union organized to address women’s labor issues.

8. What were three goals of the American Federation of Labor?

---

---

---

---