



## Role of Corporations

- Owned by many, but treated as a single person
- Can own property, pay taxes, sue and be sued
- Owned by stockholders who purchase shares of stock
- Stock spreads out financial risk and raises money for business expansion

## Economies of Scale

- Investment of capital allows businesses to grow
- Corporations can make large amounts of goods at cheaper prices
- Can continue to operate even in bad economic times
- Able to negotiate discounts with transportation companies because of volume



**Vertical**



# Consolidation

**Horizontal**



# Consolidation of Industry

## Pools

- Agreements to maintain prices among competitors
- Could not be legally enforced
- Usually did not last long and broke apart once one company cut prices
- Fueled the rate that many businesses became fewer large and efficient corporations

## Trusts

- Illegal in many states for companies to own stock in other companies
- Shareholders of one company would give stocks to trustees of another
- These trustees would give the shareholders shares of the trust
- Trustees could then control many companies without actually owning the stock

## Monopolies

- A single company achieves control of an entire market
- Many feared because it could charge as much as it wanted to



# Consolidation of Industry

## Holding Companies

- Does not produce anything itself
- Owns stock of other companies that do produce goods
- Controls the companies it owns, merging them into one
- By 1904, 318 holding companies controlled 5,300 factories

## Carnegie and Bessemer

- Carnegie used the Bessemer process to open up first steel mill in 1875
- Hotter temperatures and air blown through iron made steel stronger
- Carnegie used vertical integration to control each step of the steel making process
- Rockefeller used horizontal integration to control the other oil refining companies

## New Ways to Shop

- Advertising became big business by 1900
- Department stores like Wanamakers in Philadelphia and Macys in NY made shopping glamorous
- Chain stores like Woolworths offered low prices instead of décor
- Mail order catalogs, like Montgomery Ward or Sears, Roebuck sold thousands of items

