

Industrial Change

Unit V: Industrialization and Urbanization

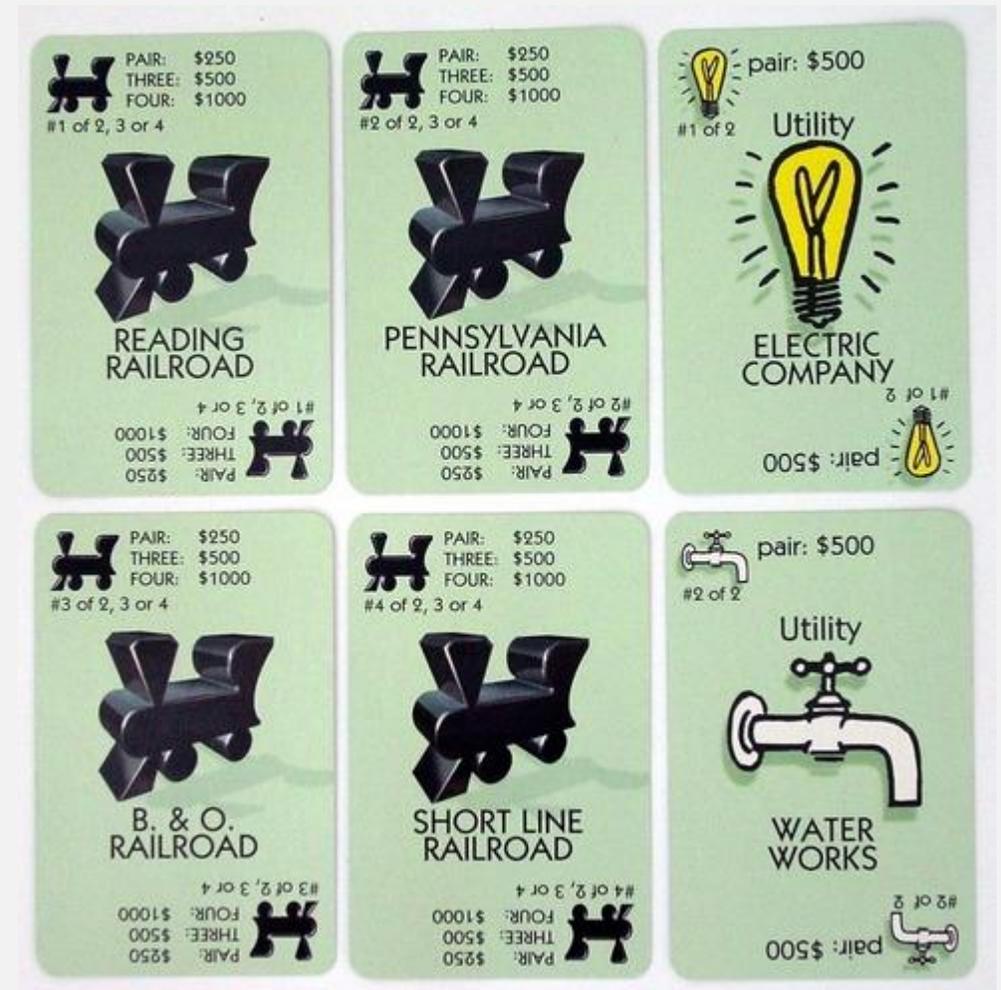


Quick Refresher

- New technologies improved industrial and agricultural productivity
- Growing cities provided markets and workers for industrial businesses
- Improved rail transportation allowed products to reach distant markets
- Financial innovations allocated capital more efficiently
- New forms of business organization facilitated rapid growth

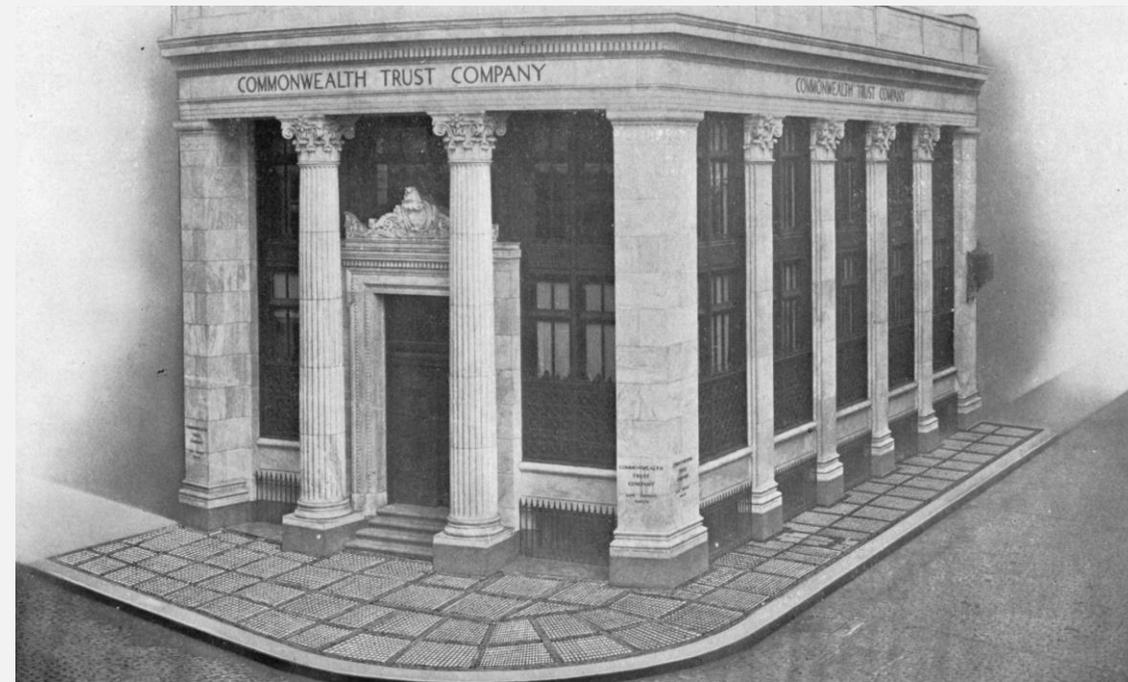
New Ways of Doing Business

- **Pool:** An agreement between competing business concerns to establish controls over production, market, and prices for common profit.
 - **Railroads** agree to keep prices high and sidestep competition of a natural market.
- **Monopoly:** When a company owns an entire market.
 - Today's government allows some **utilities** to have monopolies.
- **Corporation:** A business with many shareholders to expand the company. Many pay **dividends**.

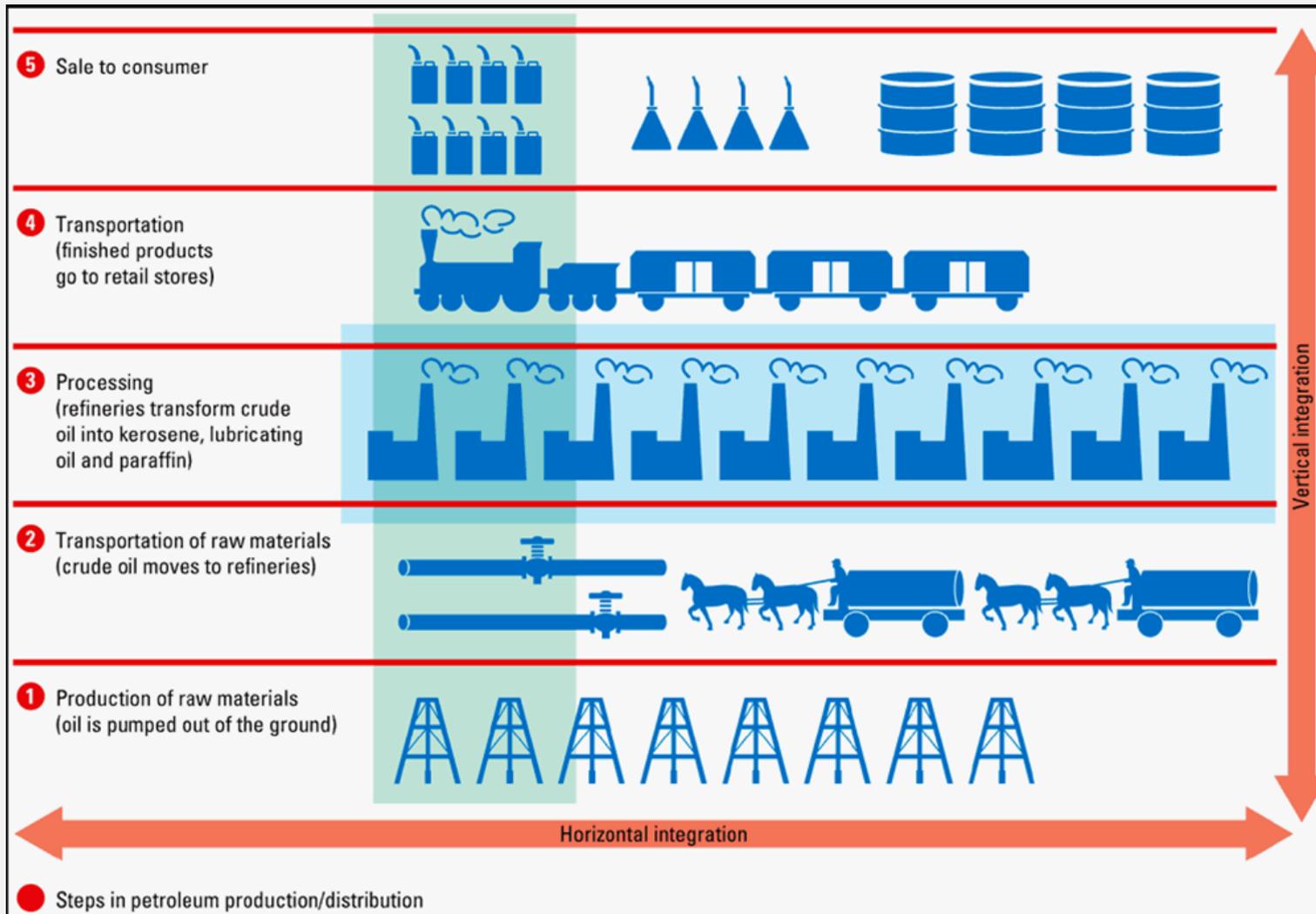


New Ways of Doing Business

- **Trust:** Corporations in the same market or related markets put control of business under a single group of trustees.
 - Shareholders had no say in business as they **trusted** people to make proper decisions
 - Become outlawed by **Sherman Anti-Trust Act**
- **Holding Company:** Companies bought controlling shares in other companies to control them.
 - Later outlawed
- **Conglomerate:** Formed by mergers, companies buy other “unrelated” businesses.



Horizontal vs. Vertical Integration

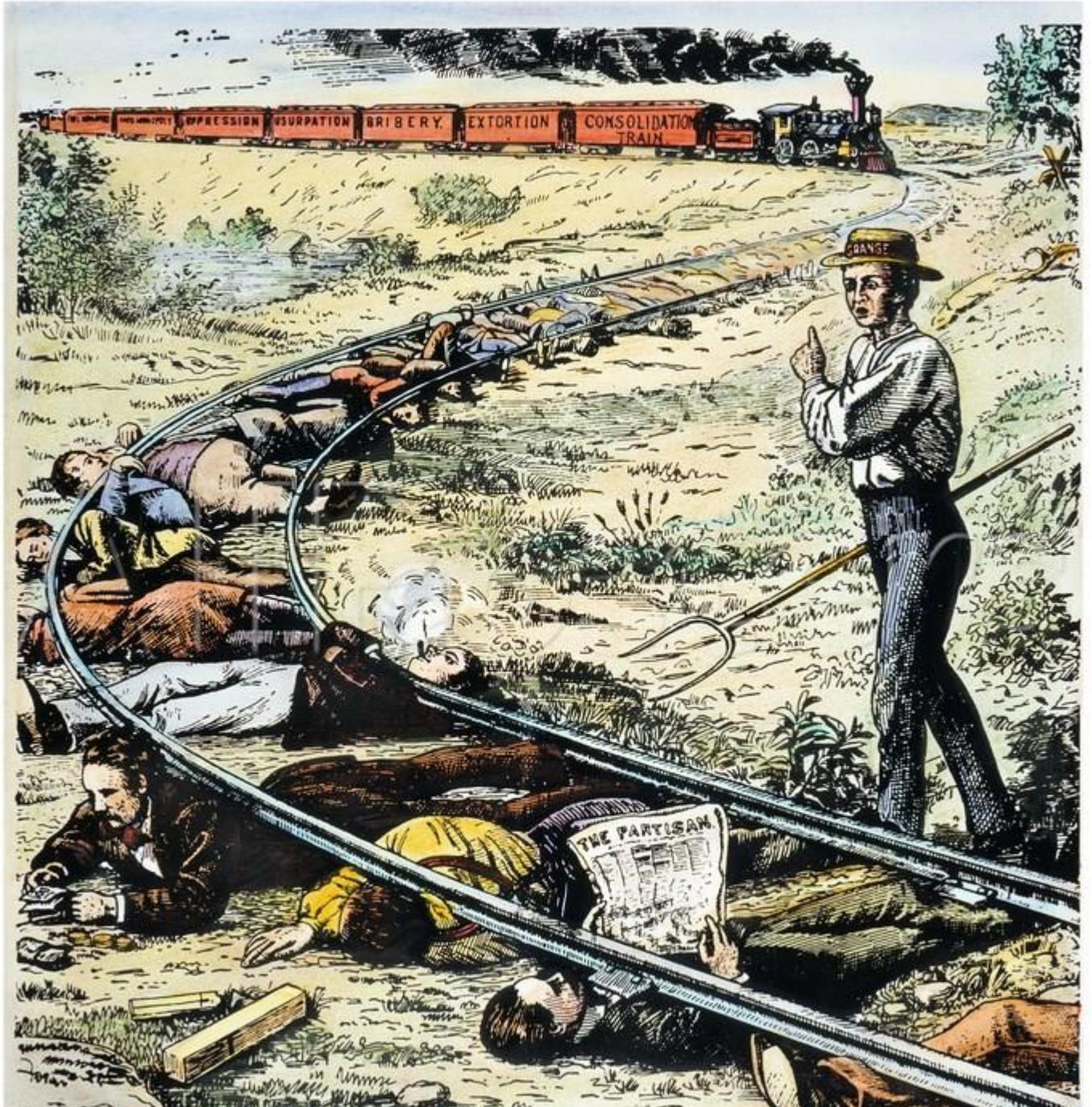


- **Vertical:** Businesses grow by including various parts of the process towards a finished good.
- **Horizontal:** Businesses grow by combining companies that do the same process in production or serve the same function.



POP QUIZ!

How might a railroad pool attempt to control their profits but hurt farmers in the midwest?



New Ways of Doing Business

- **Answer:** Railroads wanted to keep prices high for transporting grains.
 - Without competition, farmers lost profits
- **Grange Movement:**
 - Founded in 1867 to advance methods of agriculture, as well as to promote the social and economic needs of farmers in the United States.
 - The financial crisis of 1873, falling crop prices, increases in railroad fees to ship crops, and Congress's reduction of paper money in favor of gold and silver devastated farmers' livelihoods
 - Surge in Grange membership in the mid-1870s



Granger Cases

Munn v. Illinois (1876)

FACTS:

- Midwestern farmers felt that they were being victimized by the exorbitant freight rates.
- Illinois passed a law that allowed the state to fix maximum rates that railroads and grain elevator companies could charge.

QUESTION:

- Whether the regulation of railroad rates by the state of Illinois deprived the railroad companies of property without due process of law.

DECISION:

- SC upholds the Illinois law.
- Movement and storage of grain were considered to be closely related to public interest.
- The Court held that laws affecting public interest could be made or changed by state legislatures without interference from the courts.
- The Court said, "For protection against abuse by legislatures, the people must resort to the polls, not the courts."

Granger Cases

- *Wabash v. Illinois* (1886)
- **Close Read**
- **Annotate**
- **Answer Questions**

*The Granger Movement is significant because it showed that American farmers **would** challenge railroads and powerful millionaires.



U.S.G. (Chief of P. & I. Police). "I am glad to see that you are not seriously hurt. The Houses in this 'Street' have been Shaky and on Edge Bases for a long Time, and you've had a very Narrow Escape."