

Handout A Review Questions Answer Key

1. Railroads provided faster, cheaper, and more reliable transportation. In addition, railroads became the first corporations that provided a model for the rise of big business. They raised huge amounts of capital through the sale of stock, built new bureaucratic management to organize increasingly complex operations across wide geographical areas, and stimulated demand for other heavy industries such as coal, iron, and steel.
2. These large companies followed the railroad model and incorporated as public companies which then sold shares of ownership as stock. Therefore, ownership became increasingly divorced from management. A large bureaucracy of managers sought rational, efficient operations, while central offices analyzed operations and made strategic decisions for the firm.
3. Companies struggled to make profits in the fiercely competitive environment. As a result, they formed “pools” or “trade associations” that were informal agreements to cooperate in the fixing of prices and allocating business so that members were all profitable. Since these agreements were voluntary, they were not legally binding and were often broken by members. Eventually, big business formed trusts, a type of business consolidation that would more formally create a single holding company for the stocks of several leading businesses in an industry. This new, powerful company would be able to exercise a great deal of control over price and output decisions for the entire industry. The size of these businesses gave them an advantage over smaller competitors because they closed less efficient plants and cut costs with new technologies. Businesses grew in size and dominated entire industries as monopolies or oligarchies. Many American reformers, consumers, and businessmen feared the trusts would destroy competition in the American economy and exercise disproportionate political influence.
4. Small business owners often felt threatened by the success of the new forms of business organization. The trusts’ economies of scale made it difficult for small businesses to engage in direct competition. These small businesses often either went bankrupt or were bought out. Representatives of small business, politicians, and ordinary Americans feared that corporations threatened free markets, and therefore the American Dream, with monopolistic control. On the other hand, many small businesses thrived when they decided to either produce a niche product or target a local market rather than directly competing with those companies that dominated the industry. For example, several Pittsburgh steel mills specialized in making nails, nuts and bolts, and barbed wire that Carnegie Steel had no interest in producing.
5. Companies began to market their goods with name brands to differentiate them on shelves. Indeed, stores themselves changed dramatically from practical dry-goods stores to attractive urban department stores and chain stores. Department stores offered a shopping experience with wondrous and dazzling displays for consumers, and chain stores such as the A&P offered reliable, standardized products. Advertisements flooded newspapers and influenced buying decisions by glamorizing goods. In rural areas, farmers became consumers of goods by shopping in Sears, Roebuck, and Montgomery Ward mail-order catalogs. The wealthy in the Gilded Age demonstrated

their social status with gaudy displays of wealth known as “conspicuous consumption.” Culture for the middle class began to reflect consumerism rather than the virtues of Victorian character.

6. Concerned about American civic culture and the condition of the masses, they gave millions of dollars away to universities, libraries, museums, medical research, and urban beautification projects to educate and uplift the condition of their fellow Americans. They also endowed large foundations that would continue to donate millions of dollars to causes ranging from world peace to eradicating disease. Many of the entrepreneurs felt the imperatives of the “Gospel of Wealth” that great wealth brought a social responsibility to create a better society. However, critics then and now argued that the industrialists’ philanthropy was a just a ploy to forestall government regulation, maintain social control over the masses through the public spaces, and preserve inequalities of wealth by keeping the system in place rather than reforming it.
7. Government regulation began with the Interstate Commerce Act (1887) and the Sherman Antitrust Act (1890). The Interstate Commerce Act targeted railroad rebates by prohibiting rate discrimination and was generally supported by the railroads. Railroads also supported measures in the Progressive Era including the Elkins Act (1903) that prohibited rebates and the Hepburn Act (1906) that created a commission that set “reasonable” rates rather than the market. During World War I, the federal government took over the railroads to ensure efficient mobilization for war. These regulatory measures had the support of an angry American populace, but none solved the problems of the railroad industry.

The Commerce Clause in Article I, section 8 of the Constitution granted Congress authority to regulate interstate trade. Congress used this authority to pass the regulations of the Sherman Anti-Trust Act (1890), which banned “every ... combination ... in restraint of trade or commerce among the several states.” However, the legislation was written vaguely and satisfied neither its supporters nor its opponents. In *U.S. v E.C. Knight* (1895), the Supreme Court decided that the “sugar trust” that controlled 90 percent of the industry did not violate the Sherman Act because there was no evidence that the trust controlled prices. The Court also decided the trust’s activity was rooted in manufacturing, and therefore did not restrain interstate commerce and could not be regulated.

Presidents Theodore Roosevelt, William Howard Taft, and Woodrow Wilson sought various regulatory agencies to control the trusts and often prosecuted the trusts in federal court. President Theodore Roosevelt became known as a “trust-buster.” This nickname proved especially true for the dissolution of the 1904 Northern Securities Company by the Court for violating the Sherman Act. William Howard Taft prosecuted even more trusts, including Rockefeller’s Standard Oil. In 1911, the Court articulated the “rule of reason” in breaking up the Standard Oil Company when it decided that immense size was not always a problem and that not all restraints of trade were unreasonable or illegal. In other words, it distinguished between “good” and “bad” trusts based upon behavior. President Woodrow Wilson signed the Clayton Act (1914) into law enumerating illegal antitrust activities and empowering another executive agency, the Federal Trade Commission, to enforce its provisions. Neither railroad nor business regulation solved the problems of big business nor were they wholly satisfactory to nearly any interest group with a stake in regulation. Ironically, World

War I saw the close cooperation of government and business in order to achieve greater efficiency in industrial production for war. This established a precedent of a very close government-business relationship that would influence later New Deal reforms during the Great Depression.

Handout D: Business and Advertising in the Gilded Age Answer Key

Wesson Oil Ad

1. Images include a healthy salad with various condiments including Wesson Oil.
2. A healthy meal on a table with expensive, modern-looking table settings.
3. Wesson Oil.
4. The ad is trying to persuade consumers that a healthy lifestyle includes consuming Wesson Oil.

Pierce Arrow Ad

1. Modern-looking cars (for the 1920s) and wealthy-looking individuals in gowns, furs, and tuxedos.
2. The symbols are associated with upper-class success, wealth, and consumerism.
3. Pierce Arrow cars.
4. The ad is trying to persuade consumers that buying and owning a car will confer great social status upon the person.

Cream of Wheat Ad

1. Uncle Sam eating a bowl of Cream of Wheat in a chair with an eagle overlooking him.
2. The symbols are patriotic Americanism with Uncle Sam, the American Eagle, stars and stripes from the American flag, and red, white, and blue colors.
3. Cream of Wheat cereal.
4. The ad is trying to tie together eating Cream of Wheat cereal with patriotism.

Waterman Fountain Pen

1. The images include a rising sun over an urban landscape of skyscrapers with fountain pens on each side.
2. The symbols include urbanity and modernity of the industrial age.
3. Watermen Fountain pens.
4. The ad is trying to argue that consuming the product will make one appear to be urbane and modern in the new industrial age.

Coca-Cola

1. The image is a man, a manager for a professional baseball team, who drinks Coca-Cola. The text promises that the drink gives a person “vim, vigor, and go.”
2. The symbol includes a recognizable sports celebrity at the time who is endorsing the product.
3. Coca-Cola soft drink.
4. The ad is using a celebrity to induce a consumer to purchase the beverage.

Sargent Hardware Locks

1. The image is of a man’s arm locking a door with beautiful scrollwork around the lock. Italicized words include secure and safety.
2. The symbol is of a lock for a door of a man with a nice suit and cufflinks on indicating security and safety for one’s possessions.
3. Sargent Hardware door locks.
4. The ad is trying to convince that one will have peace of mind that their house will not be robbed with an implicit threat of danger to the security of one’s possessions and person.