

VISUAL 24.2

ENTREPRENEURSHIP DURING THE LATE NINETEENTH CENTURY

Entrepreneurial Activity (Causes)	Definition	Effects
Mass production	Involves the production of large quantities of similar goods using large-scale operations, especially mass production in factories employing many workers. Examples include breakthroughs in producing steel, clothing, shoes, cans and so forth.	<ul style="list-style-type: none"> • More output can be achieved at a lower cost. <p><i>Supply increases.</i></p> <ul style="list-style-type: none"> • The number of people employed increases because the demand for labor rises.
Division of labor and specialization	Laborers (productive resources) can usually produce more goods and services per hour if their work tasks are divided among different workers. This is division of labor. Division of labor allows laborers working repetitively on the same tasks to specialize in the production process. As time passes and laborers become skilled at specific tasks, output rises and labor costs fall.	<ul style="list-style-type: none"> • Improves efficiency: output per labor hour rises. <p><i>Supply increases.</i></p>
Vertical integration	Vertical integration occurs when firms manufacturing goods or providing resources along the same production chain merge. Gustavus Swift in meat packing and Andrew Carnegie in steel are among those who used vertical integration.	<ul style="list-style-type: none"> • Production costs fall. <p><i>Supply increases.</i></p> <ul style="list-style-type: none"> • Vertically integrated firms may restrict output and increase prices. <p><i>Supply decreases.</i></p>
Horizontal integration	Horizontal integration occurs when business competitors in the same industry merge; it occurs when a company in one sector of an industry acquires or gains control over other companies in that sector. For example, a production company may expand by purchasing other production firms. John D. Rockefeller is the best example an industrialist who used horizontal mergers.	<ul style="list-style-type: none"> • Production costs fall if economies of scale are realized. <p><i>Supply increases.</i></p> <ul style="list-style-type: none"> • Horizontally integrated firms may restrict output and increase prices. <p><i>Supply decreases.</i></p>