The Rise of Trusts and Monopolies

Unit 3

Standard:

US 12 Describe the rise of trusts and monopolies, their impact on consumers and workers, and the government's response, including the Sherman Antitrust Act of 1890 and the Clayton Antitrust Act of 1914.

Important Vocabulary

Monopoly: Total control of a type of industry by one company

Trust: A combination of firms or corporations formed by a legal agreement especially, to reduce competition

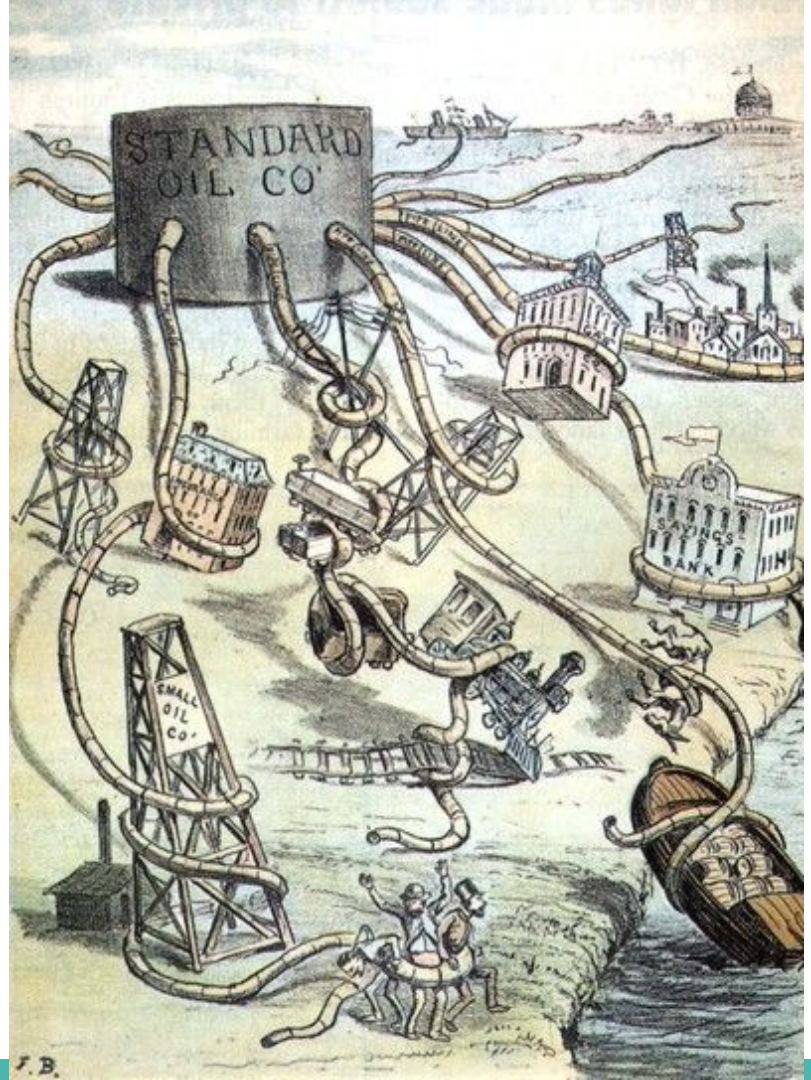
Growing Business

- America was rapidly changing from an agrarian society to an urban one
- Family owned businesses were the norm but corporations took over
- Explosive growth in business led to the emergence of large corporations and trusts that controlled their industries by taking over smaller companies and creating a monopoly in the market

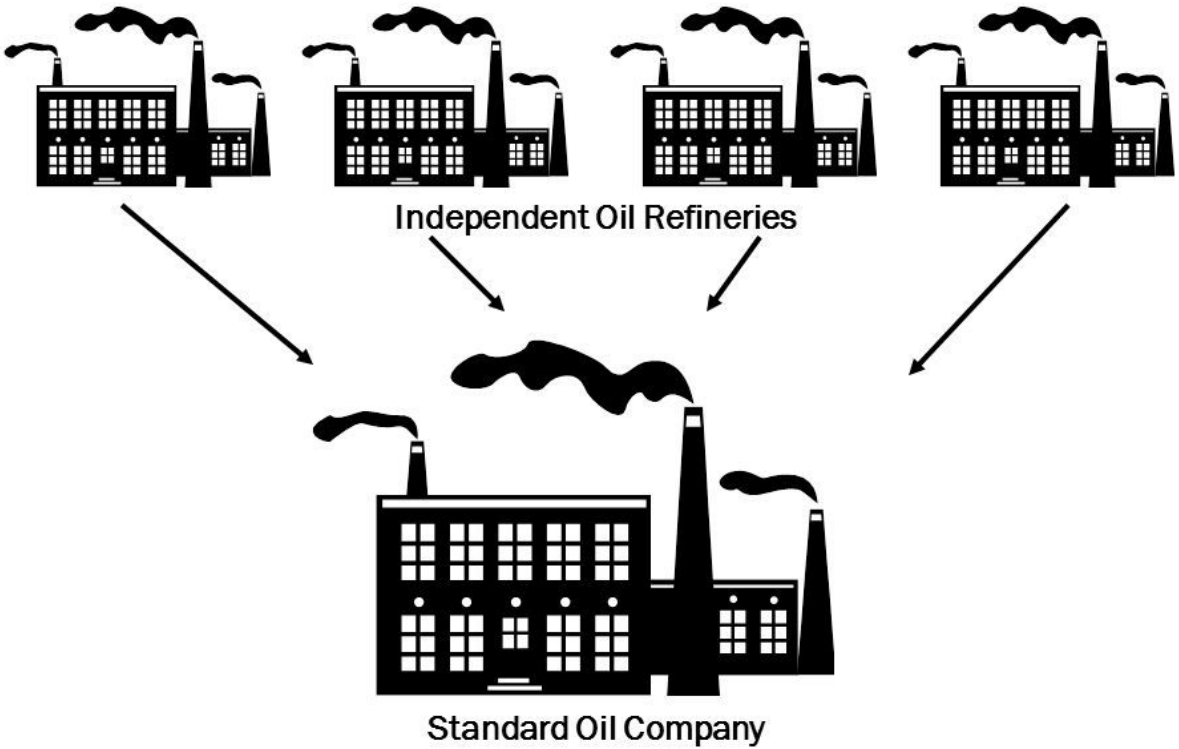
Standard Oil Company

- Used the first trust in 1882, where one person would manage another person's property for them.
  - Used this to take control of multiple oil companies.

Analyze the cartoon. What do you think the artist is trying to convey?



Horizontal Integration



Vertical Integration

Stop and Jot!

List a few near-monopolies that exist today.

(Think of companies that have more than the majority of the market)

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Holding Companies

- A new general incorporation law in 1889 allowed corporations to own stock in other businesses without special legislative permission.
- Many companies used the law to create holding companies, which were companies that produced nothing, but just held stock in multiple companies and managed said stock

Investment Banking

- Investment banks also began to form and put together new holding companies.
- Often, investment banks would convince companies to sell them large blocks of stock at a discount, then sell the individual shares at full (or higher) price for a profit.
- One of the most successful was JP Morgan, who bought Carnegie Steel and merged it with other companies to form US Steel.

Effects of Monopolies and Trusts

Turn and Talk:

What makes monopolies disadvantageous to the consumer?

Since the monopoly no longer had to compete for the lowest price or best product, many people feared that these monopolies would be able to charge whatever they want.

Impact on Consumers

- Fear of fixed-pricing
- Rise of department stores and advertising firms
- Goods became more widely available to consumers as the industries became larger
- Price Discrimination: the action of selling the same product at different prices to different buyers, in order to maximize sales and profits

Impact on Workers

- Life for workers in the industrial US was difficult
- Working conditions were dangerous and often led to injury due to lack of safety devices and regulations in factories
- Wages had risen over the past few decades
- In 1900 the average worker made $0 .22/hour and worked 59 hours per week
- Uneven division in income between the working class and the wealthy created resentment among the workers

The Government's Response

- During the late 19th century, fear of business monopolies began to rise, with lawmakers passing anti-monopoly and anti-trust laws.
- The Sherman Anti-Trust Act: Congress passed to curb the power of the large business combinations known as trusts
- The act prohibited any "combination...or conspiracy in restraint of trade or commerce among the several states
- The Clayton Anti-Trust Act continues to regulate U.S. business practices today.
- Intended to strengthen earlier antitrust legislation- prohibits anti-competitive mergers, predatory and discriminatory pricing, and other forms of unethical corporate behavior.

Exit Tickets:

During the late 1800s, which action did Congress take to regulate the business practices of companies such as Standard Oil and Carnegie Steel?

A. proposal of the 16th Amendment
B. passage of the Sherman Antitrust Act
C. adoption of the Gentlemen's Agreement
D. establishment of the Federal Reserve System

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The following cartoon appeared in the magazine Puck in 1889

The Bosses of the Senate

Source: Public Domain/Library of Congress

What does this cartoon imply about U.S. economic policy prior to 1890?

A. The federal government passed laws that favored natural-resource conservation over industrial production.

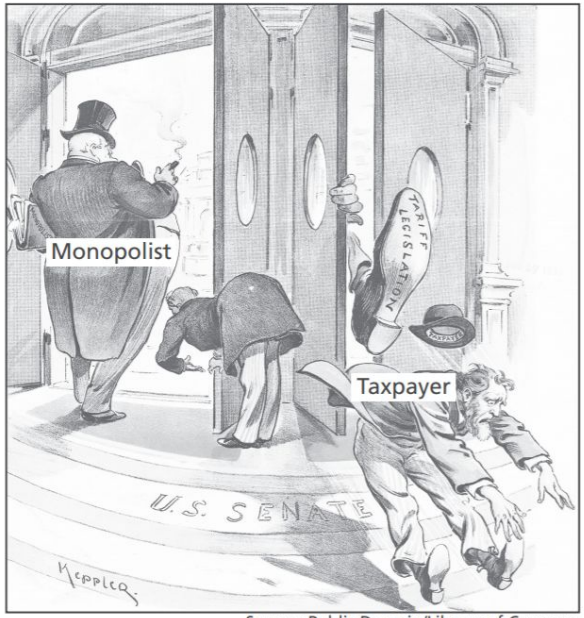
B. The federal government passed laws that increased market competition and decreased industrial power.

C. The federal government passed laws that increased corporate taxes and decreased public spending.

D. The federal government passed laws that favored large corporations over small businesses.

Look at the cartoon and answer the question.

McKinleyism, 1897



Source: Public Domain/Library of Congress

Which statement <u>best</u> describes the meaning of the political cartoon?

A. Congress welcomed monopolies at the expense of taxpayers.
B. Monopolists were troubled by the misuse of power by Congress.
C. Congressional authority was limited by the actions of taxpayers.
D. Taxpayers were unwilling to accept legislation created by Congress.

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Study the cartoon and answer the question.

The Protectors of Our Industry, 1883

Source: Library of Congress

Which message is being conveyed by this cartoon?

A. Industrialists were experiencing more difficulty than the laborers.
B. The government imposed improved labor standards.
C. The labor force should have found other employment.
D. The wealthy were dependent on the labor of the working class.

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A _____ is a combination of firms or corporations formed by a legal agreement.

A. Company
B. Industry
C. Trust
D. Stock

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