

Monopolies, Cartels, and Trusts

By Cathy Pearl

Caption: John Sherman, author of the Sherman Antitrust Act

After the Civil War, industries in this country began to grow quickly. Many of the men who owned these companies were honest. Others did anything that they could to make more money.

Business owners tried to pay as little as they could for the supplies they needed. They would pay their workers less money so that the owners could earn more. Some business owners tried to control their whole industry.

There were company owners who tried to start a monopoly. A monopoly is when one company completely controls a product. This company is the only one who [that] makes or sells it.

When there is a monopoly, the company can set any price that it wants to for the product. People have to buy it at that price because no other company sells it. The company can charge a lot of money. This means the owner of the company is going to make even more money.

Business owners had different ways of starting monopolies. The owner bought all the other companies that made the same item. Or he made other businesses close. Many owners did these things and more in order to have a monopoly.

At the end of the 1800s, laws were passed to stop monopolies. The laws were also supposed to break up monopolies that were already formed. But the law didn't work well. People in government did not want to fight with business leaders. The leaders were very strong. Business owners who had formed a monopoly always fought against new laws.

Monopolies weren't the only way that businesses tried to make more money. They also formed cartels. A cartel is a group of businesses that make the same product.

To make more money, all the members agreed to make less of the product. This meant there was not a large supply of an item that many people wanted. This made prices go up.

Monopolies and cartels didn't always work. Members of the cartel fought, and the cartel fell apart. The companies looked for new ways in order to make more money.

In 1882, a man named Samuel Dodd had a new idea. He talked owners into a new idea that was called a trust. A trust is a group of companies that are all run by one board of directors. The board managed the companies for the owners. In return, the owners received a share of all the money that was made.

Almost fifty companies decided to group themselves together this way. No laws were broken. Before long a trust controlled almost all of the country's oil.

The trusts were a great way to keep companies from competing. Americans got angry with the way that one man or group of men controlled the prices that they paid. Americans demanded that the government do something to get rid of the trusts. Without competition, prices would never go down.

Congress listened. In 1890, the Sherman Antitrust Act was passed. It said that companies could not join to limit competition. The law was not worded well. The wording made it hard to use against businesses in court.

The government did not really want to break up the trusts at first. The business leaders were helping the United



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States become a very rich country. It was almost fifteen years before the government really worked to break up the trusts.

The control businesses had over products also hurt the economy. When businesses had trouble, they laid off workers or paid them less. Sometimes the businesses closed. This led the country into a depression. The government was finally forced to make businesses follow the laws so the country could keep growing.

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Questions

1. What is a monopoly?

_____ 2. What happened in 1890?

- A. The Sherman Antitrust Act was passed.
- B. Business owners started to follow the new laws.
- C. Samuel Dodd came up with the idea of trusts.

_____ 3. How many businesses are usually in a cartel?

- A. One
- B. Many

_____ 4. If a company has a monopoly, what will the cost for the product usually be?

- A. Low
- B. High

_____ 5. Business owners would to anything to:

- A. Make a lot of money
- B. Help their workers
- C. Make a lot of their product

6. What is one way a business owner would create a monopoly?
