# Power in the Market

How trusts affected people and shaped antitrust laws

**USH.C.2.3.D** "Describe how the rise of trusts and monopolies impacted consumers and workers, prompting government's response with the Sherman and Clayton Antitrust Acts."

NAME _____ DATE _____

## 1 READ AND MARK

Read it twice

**YOUR JOB** Underline one effect of a trust on consumers and circle one effect on workers. Write 1 beside the Sherman Act's response and 2 beside the Clayton Act's response so you can trace how each law addressed concentrated power.

### When One Company Grows Too Powerful

1. In 1882, Standard Oil's owners placed shares from many oil companies under one group of trustees. This trust helped coordinate decisions across businesses that had once competed. By controlling much of the nation's oil refining, Standard Oil could bargain for favorable railroad rates and push rivals out. Its scale could make kerosene cheaper to produce, but with fewer sellers, families had fewer choices and less protection against future price increases. A shopper buying fuel for a lamp could not simply turn to a nearby rival if that rival had closed. Concentrated power, not just a high price today, worried consumers.

2. Workers also felt the effects of concentrated business power. If a trust dominated the local market for a kind of job, employees had fewer places to seek better wages or safer conditions. A refinery worker who quit might find that the next refinery answered to the same owners. Large firms could also resist workers who organized to bargain together. Yet size alone did not prove that every worker was paid less; the central problem was the imbalance in bargaining power. As trusts expanded, complaints from workers and consumers increased pressure on federal officials to protect competition.

3. Congress passed the Sherman Antitrust Act in 1890 to prohibit agreements that restrained trade and efforts to monopolize markets. Officials could use it against conduct that shut out rivals, though courts initially applied the law unevenly. In 1914, Congress passed the Clayton Antitrust Act, which targeted specific practices, including acquisitions of competitors' stock that might substantially lessen competition. It also stated that labor organizations were not, by themselves, illegal combinations under antitrust law, helping protect workers' right to organize. Together, the laws responded to concentrated power: one broadly barred restraints and monopolization, while the other addressed particular threats before competition disappeared.

## 2 ANSWER WITH EVIDENCE

Use the passage

1. How could Standard Oil's control harm consumers even if its large scale lowered production costs?

2. Why might refinery workers have less bargaining power when a trust controls several employers?

3. How did the Sherman Act respond to the kind of conduct that could shut out Standard Oil's rivals?

4. How did two different provisions of the Clayton Act address risks to consumers and workers?

## 3 YOUR TURN

Your own words

Imagine two interstate freight companies merge, raise shipping fees, cut drivers' pay, and plan to buy their last rival. In four sentences, explain the effects on customers and drivers, identify which act could challenge the planned purchase and why, and explain how the other act could address the firm's conduct.

ANSWER KEY

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HIGH SCHOOL · USH.C.2.3.D

## PART 1 · READ AND MARK

Underline one effect of a trust on consumers and circle one effect on workers. Write 1 beside the Sherman Act's response and 2 beside the Clayton Act's response so you can trace how each law addressed concentrated power. Accept any marking that follows this job and points at the right text.

## PART 2 · ANSWERS

| # | QUESTION | ANSWER |
|---|---|---|
| 1 | How could Standard Oil's control harm consumers even if its large scale lowered production costs? | **With fewer competing sellers, consumers had fewer choices and less protection against future price increases.** |
| 2 | Why might refinery workers have less bargaining power when a trust controls several employers? | **A worker who left one refinery might find that another had the same owners, leaving fewer places to seek better pay or conditions.** |
| 3 | How did the Sherman Act respond to the kind of conduct that could shut out Standard Oil's rivals? | **It prohibited agreements that restrained trade and efforts to monopolize markets, giving officials a way to challenge conduct that excluded rivals.** |
| 4 | How did two different provisions of the Clayton Act address risks to consumers and workers? | **Its rule on acquisitions could stop a purchase that might substantially lessen competition, protecting consumer choice. Its labor provision said that labor organizations were not, by themselves, illegal combinations, helping protect workers' organizing.** |

## PART 3 · YOUR TURN (SAMPLE ANSWER)

The merger leaves customers with fewer freight carriers, so higher shipping fees are harder to avoid. Drivers have fewer employers to choose from, making it harder to bargain for better pay. The Clayton Antitrust Act could challenge the planned purchase of the last rival if it might substantially lessen competition. The Sherman Antitrust Act could address an attempt to monopolize the freight market, while Clayton directly targets the planned purchase.

Accept answers that distinguish the Clayton Act's rule on acquisitions from the Sherman Act's broader ban on restraints of trade and monopolization. Students should explain effects on both customers and workers rather than claim that large firms always raise prices or lower wages.